FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 29,899 Wednesday April 9 1986 D 8523 B

Europe's ambitious drive into semiconductors, Page 16

World news

Car bomb kills ten in South Lebanon

A car bomb exploded inside Israel's self-declared security zone in South Lebanon, killing 10 and wounding 116.

The explosion, in the Christian-held port of Jounieh, north of Beirut, occurred at a checkpoint of the pro-Israeli South Lebanon Army near Hasbaya, at the eastern edge of the zone.

Security forces viewed the incident as a suicide attack, saying the driver was killed after apparently detonating the explosives. Page 4

Ulster violence

Northern Ireland police chief Sir John Hermon said he knew who was behind the nightly bombings and gun attacks on the homes of police officers in the province, referring to them as "godfathers." Page 7

Afghan fighting

Hospitals in Kabul are treating many cases of phosphor burns, suggesting Soviet and Afghan forces might be using the searing chemical in fighting in Afghanistan, Western diplomats said.

Restrictions eased

East Germany is easing restrictions on emigration and travel to the West in a move Bonn officials say could be tied to plans by Communist leader Erich Honecker to visit West Germany this year.

Steel chief killed

The president of a Greek steel firm, Dimitri Angelopoulos, was shot dead as he was walking to his office in central Athens. An extreme left wing group claimed responsibility. Page 2

Contadora deadlock

Latin American nations ended three days of peace talks on Central America in deadlock because of policy clashes between the US and Nicaragua. Page 6

Kohl trailing

A West German opinion poll shows Chancellor Helmut Kohl and his Christian Democrats trailing far behind the opposition 10 months before national elections.

Emergency 'to end'

Philippine president Corazón Aquino's emergency measures abolishing parliament should end within a year Finance Minister Jaime Ongpin said.

Libyan death toll

Libya's army commander-in-chief said 56 Libyans were killed in last month's clashes with the US Sixth Fleet, the Egyptian newspaper al-Shaab reported. Sanctions talks, Page 6

Apartheid congress

South Africa's ruling National Party has called a federal party congress for August to explain Government reforms of apartheid and to head off a white backlash. Concern at white backlash. Page 4

Strike ban threat

Argentina's Government said it could bar workers from staging a 36-hour general strike planned later this month to protest against President Raul Alfonsin's economic policies.

Chinese shares

People in at least five Chinese cities will be able to buy shares in state firms and write personal cheques for the first time, the China Daily said. Page 4

Camels of mercy

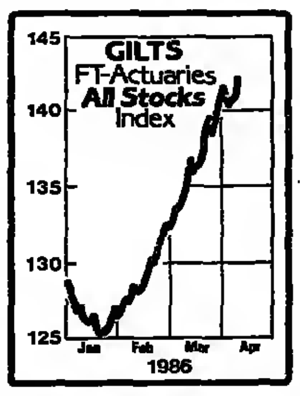
Camels equipped with solar-powered ice boxes will carry vaccines to remote areas of Chad in a Unicef battle against child killer diseases.

Business summary

Standard Chartered shuns bid approach

STANDARD CHARTERED, British-based international bank, rejected offer from Lloyds Bank, also of the UK, to discuss a £1.2bn ($1.76bn) merger, opening the possibility of a possible hostile bid or rival offer. Page 18

WALL STREET: At 2pm the Dow Jones industrial average was 28.22 higher at 1,764.73. Page 38



LONDON: Prices turned easier after a high start. The FT-SE 100 gave up 12.8 to 1,875.7 while the FT Ordinary share index was 12.8 lower at 1,388.1 Page 33

TOKYO: Stocks turned lower on a wave of small-lot selling. The Nikkei average shed 47.92 to 15,014.06. Page 38

DOLLAR was weaker in nervous London trading, falling to DM 2.3375 (DM 2.3935), FFr 7.4425 (FFr 7.6175), SFr 1.975 (SFr 2.012) and Y180.0 (Y182.1). On Bank of England figures the dollar's index fell to 119.7 from 121.8. Page 31

STERLING rose 1.25 cents against the dollar in London to $1.47 but fell to DM 3.435 (DM 3.4875), FFr 10.94 (FFr 11.1025), SFr 2.9025 (SFr 2.9325) and Y264.5 (Y266.25). The pound's exchange rate index was unchanged at 78.7. Page 31

GOLD fell $0.50 on the London bullion market to $338.25 and was $1.50 lower in Zurich at $340.75. Page 30

NIGERIA plans to push for cuts in oil production as a means of raising depressed world prices when Opec ministers meet in Geneva next week Oil Minister Rilwanu Lukman said.

WEST European net imports of energy from Soviet bloc countries slumped by 8.8 per cent last year after growing almost continuously over the previous 11 years.

CANADA has agreed to a parliamentary debate over the proposed C$2.4bn ($1.8bn) takeover of Genstar by Imasco, a fast foods, tobacco products and retailing group in Canada and the US. Page 19.

APRICOT COMPUTERS, of the UK, is pulling out of the US market after losses of about £14m ($20.3m) in its first 14 months of operation.

W.H. SMITH & Son, British retail and wholesale newspaper and bookseller, launched an agreed £43.2m ($63m) offer for Our Price, a specialist record shop chain. Men and Matters, Page 16; Lex, Page 18; Details, Page 19; Background, Page 24

WARNACO, US clothing manufacturer, rejected a sweetened $430m bid from a group of Los Angeles investors and raised the stated value of its board's own leveraged buyout proposal. Page 19

BHP, Australia's largest company, has issued writs against the Bell Resources and Adelaide Steamship groups alleging insider trading in its shares and calling for the disposal of their holdings. Page 21

BAYER, the West German chemical concern, increased its worldwide pre-tax profit by 8.4 per cent to DM 3.15bn ($1.36bn) last year. Page 19.

CHEMICAL Bank of the US will co-operate with Bank of China and a company owned by Sir Yue-Kong Pao, the shipowner, in a joint venture to provide merchant banking and investment consultancy services in Hong Kong. Page 21

UK rates cut as $ falls on fears of action by G5

BY GEORGE GRAHAM IN LONDON

BRITISH BANKS yesterday cut their base lending rates to 11 per cent from 11½ per cent. The cut, the second since last month's budget, followed a steep drop in money market interest rates in the wake of sterling's strength in recent weeks.

The dollar, meanwhile, fell sharply on market fears that finance ministers of the Group of Five (G5) industrial nations, gathered in Washington this week for the meeting of the International Monetary Fund, might decide to take further action to bring the dollar down, as they have done at the last two G5 meetings.

The US currency fell sharply against the D-Mark, French franc and other full members of the European Monetary System. It also lost ground against sterling and the yen.

The French central bank, meanwhile, had to buy D-Marks again yesterday so that the French franc could remain below its new ceiling in the realigned EMS exchange rate mechanism. This helped the D-Mark to advance against the dollar. The franc ended at FFr 3.1840 against the D-Mark, fractionally below its permitted limit.

Yesterday's reduction in British banks' base rates followed interest rate cuts in Belgium on Monday, in the wake of the weekend realignment of the EMS.

In the US, Southwest Bank of St Louis yesterday cut its prime lending rate by ½-point to 9 per cent, fuelling speculation about a possible imminent cut in the US discount rate.

UK interest rates remain considerably higher than those of other major nations, so the authorities appear relaxed about the effect of yesterday's reduction on sterling's value in the foreign exchange markets.

Many analysts in London now expect further interest rate reductions in the US and Japan, following last month's concerted round of discount rate cuts. Although West Germany is felt to be less likely to agree to another cut, reductions in US and Japanese rates might give more scope for the further ½-point fall in UK base rates that analysts say is already signalled in money market rates.

"If sterling stays at this level the UK may be able to participate in the next internationally co-ordinated cut in interest rates that is expected in the next few weeks," said Mr Stephen Lewis, chief economist at London stockbroker Phillips & Drew.

The Bank of England's sterling exchange rate index opened yesterday at 77.0, 3 points above its level before the budget on March 18 when bank base rates stood at 12½ per cent. It fell back later to finish unchanged on yesterday's close at 76.7. The pound gained 1¼ cents to end at $1.47, but lost more than 5 pfennigs to finish at DM 3.435.

The dollar lost more than 5½ pfennigs to DM 2.3375, and fell more than 17 centimes to FFr 7.4425.

National Westminster was the first bank to announce the ½-point cut in its base rate. It was followed, with less enthusiasm, by the other leading commercial banks. Building societies, however, are not expected to lower their mortgage rates

Some banks had expected to wait until after the rate of growth in UK money supply is published this afternoon before cutting rates.

Lex, Page 18; Money markets, Page 31

Irish central bank cuts rates, Page 3

Ministers study plan to broaden co-ordination

BY PHILIP STEPHENS IN WASHINGTON

LEADING INDUSTRIAL nations are considering proposals to widen the scope of co-ordination of economic policies beyond interest and exchange rates to broader objectives for growth, inflation and external balances.

In talks in Washington yesterday, before today's six-monthly meeting of the International Monetary Fund's policymaking Interim Committee, finance ministers from the developed nations discussed plans for setting a series of "objective indicators" for the main economies.

The idea, drawn up by senior officials preparing the IMF talks, is for the Group of Five industrial nations (the US, Japan, France, West Germany and Britain) to establish broad, medium-term objectives for their economies.

Those indicators, covering nominal and real growth rates, inflation, and current account balances would be agreed with the IMF which would seek to ensure that each country's policies were consistent with balanced world growth.

Senior officials stressed, however, that discussions on establishing what one referred to as "a medium-term framework for the world economy" were still at an early stage and faced several obstacles before any firm agreement could be reached.

The US Administration has indicated privately that it favours the initiative but intends to adopt a low profile at this week's talks. Japan, which is under pressure from other industrial nations to expand its economy through a looser fiscal policy, has been less enthusiastic.

Some officials in Washington are also sceptical as to whether finance ministers would be able to agree on anything more than the most generalised objectives and, more importantly, would be prepared to adjust their policies if they were seen as inconsistent.

"It could be seen as a minimalist approach designed to defuse calls for target zones for exchange rates," one commented.

Ministers and central bankers from the Group of Five were meeting yesterday to discuss recent developments in the foreign exchange markets and the prospects for further reductions in interest rates.

Officials from several delegations cautioned against any dramatic new initiative, however, particular-

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Japanese economic package, Page 18

Reagan and Dobrynin prepare way for summit

By Reginald Dale, in Washington

MR GEORGE SHULTZ, the US Secretary of State, and Mr Eduard Shevardnadze, the Soviet Foreign Minister, are to meet in Washington in the middle of next month to prepare the next superpower summit, to be held in the US, Mr Shultz announced yesterday.

The agreement, reached at a 75-minute meeting between President Ronald Reagan and Mr Anatoly Dobrynin, the departing Soviet ambassador to the US, improved the likelihood of the summit being held this year, as provisionally arranged at the first superpower meeting in Geneva last November.

Mr Shultz told a news conference that while no date had been set, he thought both sides would like the summit to take place this year. The decision to go ahead with preparations at ministerial level makes the summit more likely after several months in which Washington was becoming irritated with Moscow's reluctance to set a date.

Mr Shultz said there had been "increasing strain" in some areas of US-Soviet relations since the Geneva summit. "Things haven't gone as well as either side would like," he said. Yesterday's talks, however, had been constructive and had "advanced matters."

Although Mr Shultz yesterday repeated Washington's preference for a summit in June or July, it appeared likely the date would be later in the year. Mr Shultz said he had wanted to start the summit preparations with Mr Shevardnadze much earlier than the mid-May talks that have now been planned.

A lot of preparation would be necessary to ensure the kind of successful summit that both sides wanted. While he would not rule out a June or July date, Washington doubted the preparations could be completed by then.

Moscow has tentatively suggested September, a time that Washington says is inconvenient because of campaigning for the US mid-term Congressional elections in early November. Mr Reagan indicated that, if he cannot meet Mr Mikhail Gorbachev, the Soviet leader, in the summer, he would prefer November or December, after the elections.

Mr Shultz discounted reports that Mr Gorbachev was insisting on progress in the Geneva arms control talks before agreeing to a summit date. Mr Dobrynin emphasised that Moscow was not setting any

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Mitterrand warns Chirac against abuse of decrees

BY DAVID HOUSEGO IN PARIS

PRESIDENT François Mitterrand marked his distance from the right-wing Administration of Mr Jacques Chirac yesterday by warning it to be sparing in its use of legislation by decree to carry through its economic programme.

In a message to the National Assembly, the President recalled that the Socialists had carried through their major initiatives – nationalisation, decentralisation and labour reforms in industry – after full debate in the parliament. He said that the right's use of decrees – which cut short debate in the Assembly – should also be "small in number" and that the enabling legislation to be put through parliament in the coming days which will allow the Government to proceed by decree should be specific.

Mr Mitterrand made his statement on the eve of the Cabinet meeting that is due today to approve the Government's use of decree to carry through its economic measures including denationalisation. The Cabinet meeting will be followed by a statement of policy in the National Assembly by Mr Chirac, the Prime Minister, after which Mr Chirac will seek a vote of confidence.

Among the measures which the Government wants approval to implement by decree are the lifting of price controls and more flexible labour laws to allow increased part-time working.

The enabling legislation will also list the banks, insurance companies and industrial groups to be privatised. The Government will also seek approval to restore by decree the single-constituency majority voting in parliamentary elections.

Mr Chirac believes that he needs to legislate by decree because his majority of only three in the Assembly may not be enough to overcome procedural obstacles.

According to protocol, Mr Chirac, his ministers and deputies stood throughout the reading of the President's message by the Speaker of the Assembly.

Afterwards, Socialist deputies clapped while the right sat down in silence – a difference that reflects the much more overtly political role the presidency has assumed since last month's parliamentary elections.

Mr Mitterrand made no reference, however, to the devaluation of the franc over the weekend, which has been strongly condemned by the former Socialist ministers.

SKF unit, Ovako in special-steel merger

BY KEVIN DONE IN STOCKHOLM

SCANDINAVIA'S two leading special steel producers, Ovako of Finland and Sweden's loss-making SKF Steel, subsidiary of SKF, the world's largest bearings manufacturer, are to merge.

The new group – to be named Ovako Steel – will become the biggest special steel producer in Europe, challenging its main rivals in West Germany, France and the UK.

It will have annual sales of SKr 5.5bn ($733m), a workforce of 7,000 and an annual production of about 1.2m tonnes of steel.

The new company will be owned 50 per cent by SKF, 25 per cent by Wartsila, the Finnish shipbuilding group, 20 per cent by Fiskars, a Finnish conglomerate operating in consumer goods, electronics, farming and forestry, and 5 per cent by Union Bank of Finland.

Ovako Steel will be registered in Sweden and will have its headquarters in Stockholm. Mr Mauritz Sahlin, SKF managing director, will be chairman of the board, and Mr Matti Sundberg, recently appointed head of Ovako, will become managing director. Mr Karl-David Sundberg, managing director of SKF Steel, is to leave the company.

Ovako and SKF both said the merger represented "an important part in the desired restructuring of the Nordic steel industry.

"Combining the resources of Ovako and SKF steel means a strengthening of Nordic competitiveness during the transitional period now prevailing in Europe's steel industry as a whole," they said.

The new concern will be the world's leading company in bearing steel thanks largely to long-term supply contracts with SKF.

Ovako Steel's metallurgical capacity will ensure the supply of billets for the new group's rolling

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Nixdorf shows profits up 43%, acts to maintain independence

BY JOHN DAVIES IN FRANKFURT

NIXDORF COMPUTER, the West German data processing company, is taking steps to demonstrate its determination to preserve its independence after the recent death of Mr Heinz Nixdorf, its founder.

It has also announced a 43 per cent rise in net profit to DM 172m ($72m) last year and an increase in dividend to DM 10 per share from DM 9 in 1984.

Mr Klaus Luft, the new chief executive, said yesterday that the company was laying the groundwork to bolster its already strong financial position through possible equity and bond issues at an unspecified time in the future. The shareholders' meeting in June would be asked to authorise rights issues to raise about DM 1bn in cash, and bond issues with warrants to raise up to DM 500m, he said.

In addition, Mr Nixdorf's voting shares – the large majority stake which is the key to control of the company – are going into two specially created charitable foundations under the terms of his will. Mr Luft said yesterday that control of these foundations would be "close to the company and close to the family."

Other members of Mr Nixdorf's family already own the remaining voting shares, totalling a little more than 25 per cent of the voting capital – enough to block certain corporate decisions under West German law.

Mr Luft said that these shares had been "for years" in a family portfolio management company. Outside investors own only stock exchange registered non-voting preference shares. These closed yesterday in Frankfurt up DM 1 at DM 634, after a DM 11 advance on Monday.

Mr Luft indicated that these measures ensured that the company would continue to go its own independent way. He dismissed recent speculation about a takeover of the company or about any form of cooperation amounting to "leaning on others."

There has been some speculation in recent months – and especially just after Mr Nixdorf died – that the company might co-operate closely with or even be taken over by a large group such as Philips, the Dutch electrical concern, or Robert Bosch, the West German motor components and electronic concern.

But even before yesterday's assurances, Nixdorf executives firmly denied such reports. They have been at pains to stress the continuity at Nixdorf, pointing out how the founder moved step by step over the last 20 years to ensure that the operation would grow and survive him.

The two foundations which will control Mr Nixdorf's share stake in the company are expected to fund a range of cultural, community and research activities. One of the foundations was formed some time ago in Munich.

The company's finances were basically stronger than in West German companies in general Mr Luft said. The formal capital-raising authority being sought from shareholders was only a "precautionary" arrangement.

Nixdorf's aim was to continue to grow faster than the data processing sector in general. Worldwide sales revenue rose 20 per cent to

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Anthony Moreton details how the US is trying to tighten the textiles screw without imperilling the general accord

Washington treads a tightrope between Gatt and the MFA

MR CHARLES CARLISLE, the chief US textiles negotiator, flew back to Washington from Geneva last Saturday after the latest round of talks over the future of the Multi-Fibre Arrangement (MFA), knowing he had it in his power not just to make or break the world textile accord but also the power to break the new Gatt round of trade talks.

The MFA, which governs a large part of world trade in textiles and clothing, runs out on July 31. Delegates from some 60 countries are now holding meetings under the chairmanship of Mr Arthur Dunkel, director general of Gatt (the General Agreement on Tariffs and Trade) in what is becoming an increasingly frenetic search to find common ground for an extension.

Simultaneously, Mr Dunkel is conducting preliminary talks on the new Gatt round. He would like these to be completed by July 15.

The US wants a new Gatt round badly. President Ronald Reagan has committed himself to it and it would suit the country as a whole. But almost every time Mr Carlisle returns to Geneva he has new demands on textiles to put before the delegates.

The MFA, introduced in 1974, is the major derogation from Gatt's free-trade stance since it allows the main Western importers to regulate trade. The future of the MFA should, in theory, be settled before the preparatory talks on the next Gatt round are completed.

On the flight back to Washington Mr Carlisle and his advisers must have agonised over how far they could go in tightening the screw over textile and clothing imports without imperilling the Gatt round.

The US has become increasingly protectionist in the past 18 months, especially in textiles. Faced with a mounting import bill—the trade imbalance in textiles and clothing shot up from $8.65bn (£2.89bn) in 1980 to $15.1bn (£10.41bn) last year—Congress called for severe restrictions to be placed on its leading suppliers, all from the Far East with the exception of Brazil and all from the Third World with the exception of Japan.

President Reagan eventually vetoed a highly protectionist bill in Congress but its backing was so strong that its supporters have put it on hold. They are bringing it back to Congress on August 6, a week after the MFA is signed, and threatening to have another attempt at overthrowing the veto.

Last week in Geneva Mr Carlisle had to try the impossible. He had to talk sufficiently tough on the MFA to placate the industry back home — a strong party of whom had travelled to Geneva with him to stiffen his resolve — and yet not endanger the wider Gatt talks.

TEXTILE AND CLOTHING IMPORTS ($b)

	US	EEC (10)
1978	5.87	5.12
1979	5.99	4.22
1980	6.57	7.24
1981	7.77	8.05
1982	8.07	8.67
1983	9.48	9.24
1984	12.37	10.79
1985	14.71	na

Source: US Dept. of Commerce, Comitextil

"The US has become the bad boy of these negotiations," said Mr Filipe Jaramillo, respected head of the Colombian delegation and spokesman of the low-cost producer nations.

"Four years ago, when the MFA was last being renegotiated, the EEC was the bad boy. This time we can see light at the end of the EEC tunnel. It is the US that worries us."

An official of Gatt itself added: "Everyone is getting very worried. We have no better idea now than last December what the US really wants. They are threatening the whole Gatt timetable."

The position is particularly worrying because this year the US has suggested that the MFA should be extended in some areas. In particular, it wants silk and ramie, a flax-like substance, included for the first time.

Silk is of little importance, except in principle, because the amounts entering world trade are so small. Ramie is quite different. It is increasingly being incorporated into blends used for sweaters, an important garment in US trade with the low-cost producers.

Mr Carlisle has also increasingly emphasised "the need for orderly growth and the ability to prevent destabilising import increases." He has told the Third World, as has the European Commission, to open its markets to Western exports.

He pointed out that in the six months from last September to February 1986 US imports rose by 28 per cent, more than in the whole of 1981. "Continued import growth of this magnitude is not acceptable," he said.

The problem is that "orderly growth" is synonymous with "protectionism" to the low-cost producers. Gatt also points out that US imports are no different in scale from those of the EEC, since the two markets are of comparable scale, and that the big rise in the past two or three years has been due to the strength of the dollar rather than unfair trading.

The US, it is claimed, managed to hold back imports much longer than the Europeans did and so should seek solutions within the management of its own economy.

The low-cost producers in fact have made considerable concessions to the demands of the West. They have conceded there should be another MFA after July whereas a year ago they were calling for its immediate abolition.

They have also accepted, albeit grudgingly, that the extension should be for a further four or five years. They know, though they do not like it, that their ability to export will continue to be regulated tightly.

Now, on top of all this, they are being told by the US that they will have to widen the scope of the MFA to take into account other fibres. It is hardly surprising that the EEC's gentle essay in liberalism seems much more attractive.

The EEC has suggested that, while the rate of growth of imports from the suppliers as a whole should remain low, quotas should be redistributed so that the "dominant" suppliers—Hong Kong, South Korea, Taiwan and Macao—would stand still, while the "poorer" countries like Bangladesh, Pakistan and Sri Lanka should have greater access to Western markets.

Some relaxation of the regulatory system is suggested so that children's clothes and those which do not cause much aggravation in Europe might gain easier access.

The EEC also calls for quotas to be dropped where they are not fully taken up.

These proposals might not set fireworks alight in the Third World but at least they are seen as steps in the right direction. There is a feeling in Geneva that the EEC and the suppliers can do business.

Not so with the US. Mrs Edna Kavanagh, Dutch president of the free-trade-inclined Foreign Trade Association, put her finger on the nub of the matter when she said not only that the MFA must "expire irrevocably after another four, or at most five, years" but that "unless we commit ourselves to this (termination date) we will never come out of this protectionist system."

Mr Arthur Dunkel, Gatt's director general, is overseeing attempts to agree an extension to the multi-fibre arrangement

Spain tops budget deficit goal by 10%

By David White in Madrid

SPAIN'S CENTRAL administration overran its target budget deficit last year by about 10 per cent, according to figures released by Mr Carlos Solchaga, the Finance Minister.

The shortfall of Pta 1,842bn (£7.46bn) marks a setback for the Socialist Government's aim of achieving a progressive reduction in the budget burden.

After coming down from around 6 per cent of Spain's gross domestic product when the Socialists took office in 1982 to 5 per cent in 1984, the deficit moved back up to 5.8 per cent of gross domestic product last year. However, Mr Solchaga said he was still aiming to cut the deficit burden to 4.5 per cent this year.

The 1985 results, which include social security transfers but exclude autonomous regional governments, showed a 29 per cent increase in the total shortfall from the 1984 level of Pta 1,269bn. The Government had set out to keep the 1985 deficit just under Pta 1,590bn.

The main reasons behind the slippage were a sharp rise in the deficit of the social security system, which the state has to cover, and cuts in income tax rates which the Government made last spring to try to revive a sluggish domestic economy. The social security shortfall multiplied more than fivefold to Pta 115bn, while the loss in tax receipts was put at Pta 100bn.

Mr Solchaga said the social security figures demonstrated the necessity of the recent controversial reform of the state pension system.

Debt talks open in Poland

By Christopher Bobinski in Warsaw

WESTERN COMMERCIAL bankers arrived here yesterday for a key round of debt talks, as the government spokesman confirmed that Mr Marian Orzechowski, the Polish Foreign Minister, would not be visiting London this month because Prime Minister Margaret Thatcher refused to receive him.

The debt talks focus on rescheduling of all, or part, of the $800m capital repayments due to Western banks this year.

The banks have offered to take delayed repayment of 75 per cent of this sum, while Poland, short of hard currency and has substantial debt obligations to Western governments, is holding for a 100 per cent rescheduling.

Mr Jerzy Urban, the Government spokesman, said the visit by Mr Orzechowski would not go ahead as planned on April 28 because of the British Government's attempts to link the minister's programme to "internal developments" in Poland and its failure to observe "the principle of reciprocity."

Last year in Warsaw Sir Geoffrey Howe, the UK Foreign Secretary, saw General Wojciech Jaruzelski, then the Polish Premier, Mr Urban said, hinting heavily that the failure to arrange a comparable meeting with the British head of government for the Polish minister caused the postponement.

Mr Orzechowski would have been the first Polish minister to visit Britain since the 1981 martial law. The fact that Mr Orzechowski is due this week to see Chancellor Helmut Kohl in Bonn and that General Jaruzelski himself recently saw President Francois Mitterrand in Paris underscores that Warsaw's relations with the UK remain somewhat cooler than with some other west European governments.

West Germany and France are among the handful of governments which have resumed official trade credit to Poland, while Britain has not.

Yesterday, too, the Polish authorities signalled a warning to the Solidarity opposition not to organise demonstrations on May Day by having Mr Henryk Wujec, an activist, sentenced in absentia to three months in prison for taking part in a similar demonstration last May.

Solution seen for Basque terrorism

By Our Madrid Correspondent

THE PROBLEM of separatist violence in the Spanish Basque country bears numerous points of resemblance with Northern Ireland—including mistakes which have been made in the handling of terrorism—but offers much greater hope of a political solution.

This is the main gist of a report on Basque terrorism commissioned by the Basque autonomous government from a group of European experts.

Changes in policing and legal practices and measures to stimulate the region's economy figure high among the commission's recommendations. But it concludes that, with Spain's constitution and the region's self-government statute, a political structure already exists for solving the problem.

The strictly nationalist origins of Eta terrorism provide closer parallels with Northern Ireland than with ideologically-motivated movements in other European countries. But the commission emphasises the lack of an internal social or religious conflict, in contrast with Northern Ireland, and the absence of foreign sources of support such as the IRA has in the US.

The report, which the Basque authorities hope will provide a basis for working together with Madrid, is the result of nine months' work by the five-man, multi-discipline commission headed by Sir Clive Rose, a former British diplomat.

It is based on discussions with all sides involved in the issue except Eta, the underground separatist organisation, which declined to meet the commission. The report, copies of which were sent last week to Mr Felipe Gonzalez, the Prime Minister, and other members of the Madrid Government, was to have been kept confidential. However, the Basque government decided to release the full text in order to avoid being accused of concealing parts of its conclusions.

More than 200 pages long, its 51 proposals conclude with the recommendation that negotiation should "never" be excluded as a political option. It is unclear how this is to be interpreted in the light of Madrid's refusal to negotiate with Eta on political claims. However, the report says elsewhere that it is essential to persuade proponents of violence that there is no possibility of their achieving independence.

The key proposals refer to courts and the police. The report says the naming of judges in the region should be the preserve of the Basque authorities and that terrorist suspects should be tried in the region and not taken to Madrid.

Businessman shot in Athens

By Andriana Ierodiaconou in Athens

NOVEMBER 17, a shadowy terrorist group credited with a series of political assassinations in Greece since 1975 including those of two American diplomats, claimed responsibility yesterday for the fatal shooting of Mr Dimitris Angelopoulos, a 79-year-old Greek industrialist, in central Athens.

The victim, one of the older members of Greece's industrial establishment, was the founder and a family owner of the iron and steel firm Halyvourgiki, listed among the country's top 20 enterprises in terms of total assets. The company made news in 1984 when it was fined Dr 8.9bn (£41m) by the Socialist Government for the alleged illegal export of foreign exchange, a case which generated accusations of a witch hunt against private enterprise from Greek businessmen.

Mr Angelopoulos died in hospital after being shot in the chest and abdomen.

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Wine scandal deals blow to Italian exports

BY JAMES BUXTON IN ROME

ITALIAN WINE exports to other countries are effectively blocked while Italian authorities work out certification procedures, according to Mr Frans Andriessen, the EEC Agriculture Commissioner.

Speaking in Brussels yesterday he said there was no reason at the moment for the European Commission to take any action on the Italian wine scandal. He said the sales of wine was a matter for Italy to deal with, although the EEC stood ready to help if necessary.

Mr Andriessen spoke as Mr Filippo Maria Pandolfi, the Italian Minister of Agriculture, yesterday visited his opposite numbers in Bonn and Paris in an effort to reassure them that Italy had the scandal of poisoned wine under control.

Moreover, a senior Italian Ministry of Agriculture official denied in Brussels that the export of wine was being held up by Italy. The certification procedure was already working. These certificates are meant to ensure that wine exported does not exceed the legal quantity of methyl alcohol. The new rules which came into force last week are expected to take a few days to become effective.

Reports from the big Italian wine exporters suggest that very small amounts of wine are being exported after obtaining the certificates, which are issued by laboratories approved by the Ministry of Agriculture. But they said that exports are far below normal. Other winemakers have spoken of export orders being cancelled.

About 20 people are believed to have died from drinking wine containing an excessive amount of methyl alcohol, and people are still being taken ill in many parts of Italy, not just in the north, where the scandal broke. The adulterated wine can also cause blindness.

The authorities believe, however, that the worst should soon be over since they have identified and closed down four centres which were producing wine to which dangerous quantities of the chemical had been added.

But, despite the official optimism, the Italian wine industry is in despair at what it sees as the immense damage done to the image of Italian wine in Europe, not least in Italy itself. Politicians are extremely conscious of the severe blow that Italy's international reputation has suffered.

There is general nervousness about drinking any wine, despite the relatively small quantities that have been adulterated. Yesterday, in a smart restaurant in the centre of Rome, the majority of lunchtime customers were avoiding wine.

Mr Pandolfi wants to convince the agriculture ministers in West Germany and France, the two biggest markets for Italian wine, that the authorities are taking the necessary precautions on exports. In the year to last August Italy exported 18m hectolitres of wine valued at L1500bn (£625m).

Finance casts shadow over EEC research plans

BY PAUL CHEESERIGHT IN LUXEMBOURG

THE EUROPEAN Community will not seek to bridge what is perceived as a growing research and technology gap between it, on one side, and Japan and the US on the other, simply by throwing money at the problem.

Discussions among research ministers in Luxembourg yesterday on guidelines for Community research and development programmes to run between 1987 and 1991 showed a general insistence that there should be value for money.

Ministers had their first look at guidelines prepared by the European Commission. Their aim was to mark out research priorities, but they found it difficult to escape from the question of finance.

The Commission has suggested Ecu 8bn (£5.88bn) of spending on Community programmes for the five years with a 15 per cent reserve on top of that to provide flexibility.

That amount of money will not be available, say the French British and West Germans. The three big powers want each programme to be justified in terms of the value it brings: potential users must be identified; the impact on industrial competitiveness must be assessed.

"I hope we can avoid a situation where the Commission plucks a figure from the sky. We suggest halving it and bargaining ensues without focusing on the central issue of relevance," said Mr Geoffrey Pattie, the UK Minister for Information technology.

But the relative role of Community research programmes is less in France, West Germany and the UK than it is in the smaller or more impoverished EEC countries. And there are countries like Italy which will agree with what the Commission proposes because, somehow, that is "European."

The big powers are starting from a different philosophical position from the Commission and the small powers. By saying, "justify it," they are demanding an approach from the bottom up, while the Commission, looking at the macroeconomic position is starting from the top and working downwards to the specific programmes.

However, the budgetary side of the question is tied in. West Germany, France and Britain are net contributors to a Community budget bursting at the seams despite an increase this year in national contributions. The others are net beneficiaries.

There is, in any case, a degree of caution in the light of past experience. The Commission tabled before the research ministers a report on Esprit, the Community's flagship research programme, meshing Community funds with those of the private sector in an information technology drive.

This report on the first phase of a programme, of which the Commission is proud, calls for better dissemination of information about the programme, better dissemination of the research results, a more systematic flow of information to the programme managers and questions some operational aspects.

On the basis of an independent evaluation of Esprit, there is a call in the report for the Commission to look at larger research projects, implying that money is being spread too thinly, and a query about the level of funding—does it always have to be at 50 per cent for the Community contribution?

For all that, Esprit is considered to be working well. The same cannot be said of the joint research centre which has been drawing in more than a quarter of Community research funds. It is largely concerned with nuclear fission and has its main facilities at Ispra in Italy.

The Commission has been having to explain that it is running Ecu 45m over budget and yesterday presented new economies to the ministers. Italy, not surprisingly, is keen to see Ispra continue, but its diplomats admit that it is not well run and that its research needs to be re-orientated.

These two examples chime in with the demand for more cost effectiveness. They add substance to the general drift of the Commission guidelines which suggest that research should be shifted away from energy matters to areas which have a direct impact in industrial competitiveness.

Even the big Community powers accept that. In 1982 energy took up 65.4 per cent of the Community research budget. Under the Commission proposals, that would be reduced to 21 per cent in 1987-91. Programmes, like information technology, bearing on competitiveness, would take up 60 per cent over the next five years, compared with 16.9 per cent in 1982.

German wartime papers produced against Waldheim

BY OUR FOREIGN STAFF

THE World Jewish Congress yesterday produced copies of a German wartime document which, it said, showed that Dr Kurt Waldheim, former secretary-general of the United Nations, must have been aware of the deportation by Nazis of Greek Jews while serving at an army headquarters in Salonika.

Dr Israel Singer, secretary-general of the WJC, read excerpts from the document to the press in London. At the same time, the Board of Deputies of British Jews announced that it had written to Sir Geoffrey Howe, the Foreign Secretary, asking him to lay open any documents in British possession bearing on the wartime record of Dr Waldheim. A similar appeal has gone from French Jewry to the French Prime Minister, Mr Jacques Chirac.

The Foreign Office said last night that, once received, the communications would be given due consideration.

Dr Waldheim who is running for the Austrian presidency, has denied all knowledge of the deportations. The document produced by Dr Singer was the draft of a communication from army group headquarters, dated July 15 1944, and addressed to the staff on which Dr Waldheim served.

Dr Singer also produced the copy of a photo from a German army newspaper showing crowds of Jews being marshalled in Salonika prior to deportation.

"Every dog in Salonika knew that they were deporting Jews — every dog except Waldheim," Dr Singer said. He left it open whether the document informed the staff on which Dr Waldheim served of the deportations, or ordered it to co-operate.

Dr Singer said the system by which candidates for the secretaryship-general of the UN were checked had been proved faulty: "We don't want anyone like that to serve the world again."

Patrick Blum in Vienna adds: Dr Fred Sinowatz, Austria's Socialist Chancellor, stepped into the row over Dr Waldheim yesterday, saying that the discussion about his past and events in recent weeks had damaged Austria's image and Dr Waldheim's reputation.

Speaking to journalists after the weekly cabinet meeting, Dr Sinowatz said that the world-wide discussion about Dr Waldheim "had put into question Austria's reputation." He suggested that Dr Waldheim should consider the implications of continuing his bid for the presidency.

Sweden pulls back from industrial conflict

BY KEVIN DONE, NORDIC CORRESPONDENT, IN STOCKHOLM

SWEDEN'S private sector white collar workers and employers pulled back from all-out confrontation yesterday and agreed to a call from the state-appointed mediators to postpone their planned strike and lock-out for 48 hours.

Leaders of the PTK white collar union confederation emphasised yesterday that the threat of industrial action remained. Both sides accepted the mediators' call to take up direct contacts in so-called "technical discussions," however, and the PTK strike involving some 18,000 key personnel initially will not now begin before 2 pm on Thursday.

SAF, the Swedish employers' federation, has warned that it will respond to any eventual strike action with a lock-out of around 300,000 white collar workers threatened for midnight on Thursday — combined with escalated strike action by PTK, would hit around 400,000 white collar workers in the private sector and would quickly close down large parts of Swedish industry.

The mediators' so-called "final offer," rejected by PTK on Monday, offered the white collar workers a two-year deal with a rise of 3.5 per cent from April 1 followed by a further increase of 2 per cent from February 1 next year.

The offer included some protection against inflation. If prices rise by more than 3.2 per cent from December 1985 to December 1986, PTK would have the right to demand further negotiations.

In addition, the offer allowed for additional wage drift of 1.5 per cent in 1986 and 1987. Any increase above this level would have been reckoned against 1987s rise, however.

PTK rejected the offer for four main reasons. It wanted any settlement backdated to January 1, the clauses on wage drift were unacceptable, the deal failed to give sufficient benefit to low income groups and did not meet other demands for improved social benefits.

In parallel, SAF is still negotiating centrally with LO, the blue collar workers' trade union confederation representing more than 700,000 workers in the private sector. LO has been offered a two-year deal with an increase of 5.5 per cent in 1986 and 4 per cent in 1987, but without any wage drift.

SAF has also agreed to LO demands for shorter hours for shift workers—a two-stage cut totalling one hour bringing working hours to 38 a week by 1990—and for improved sickness pay.

LO has refused to agree to any deal, however, as long as the threat of all-out industrial action by the white collar workers exists.

Irish interest rates fall

BY HUGH CARNEGY IN DUBLIN

THE CENTRAL bank of Ireland dropped its overnight lending rate to banks by 1.25 percentage points to 12.5 per cent yesterday as Irish interest rates began to move down in the wake of the weekend realignment within the European Monetary System.

The maintenance of the Irish punt's value against the European currency unit (Ecu) in the realignment has helped reverse a speculative trend against the currency based on expectations that it would be devalued.

Interbank rates in Dublin have moved down since the weekend, with one-month rates sliding from around 15 per cent to about 12.5 per cent. However, banks have yet to lower their retail lending rates. They are waiting for the central bank to remove a three percentage point increase on business lending rates imposed in February at the height of the speculative run on the punt.

Foreign students find lucrative Soviet trail

BY LESLIE COLITT IN BERLIN

PATRICE, a Third World student at Moscow University, virtually commutes between the Soviet capital and West Berlin, where he buys consumer goods to supply an insatiable black market demand among Soviet citizens.

He and hundreds of Third World students in the Soviet Union are a boon to West Berlin shops selling low-price jeans and home electronics, which fetch high prices – in roubles – in the Soviet Union.

The foreign students earn a share of the black market proceeds and are able to afford a lifestyle which makes them the envy of Soviet citizens and rouses considerable resentment.

In East European countries from East Germany to Romania a growing number of students from developing countries are engaging in a brisk trade with coveted Western products.

Their advantage is that they can freely travel to the West, unlike ordinary citizens of Eastern European countries.

Patrice, who was waiting with fellow students for the train to Moscow at West Berlin's Zoo station, said he regularly receives dollars from a Soviet "businessman" and a shopping list for clothing, mainly jeans, and radio-cassette recorders from West Berlin.

Some of his friends brought quality caviar – "molossol beluga" be noted – and other goods to West Berlin which they sold privately to finance their own trading operation. There was no problem finding Soviet citizens willing to pay 30 ($22) or 40 roubles for a pair of jeans that cost DM 25 ($10.8) in West Berlin.

Third World students who supply Eastern Europe with Western consumer goods are meeting growing animosity from East Europeans especially when they are seen dining in expensive restaurants.

OVERSEAS NEWS

Japan may invest Y2,000bn in research project

BY CARLA RAPOPORT IN TOKYO

JAPAN is considering the launch of a Y1,000bn (£3.75bn) to Y2,000bn basic research project which it intends to be Japan's answer to America's Strategic Defense Initiative (SDI) and Europe's Eureka science project.

The project, variously known as the Human Frontier Project or the Human and Earth Sciences Programme, is aimed at reversing Japan's image as an imitator as opposed to inventor.

The results of the project are intended to be shared with other countries to help Japan rid itself of its image as a ego-centric society interested primarily in its own advancement.

The project is expected to be unveiled at next month's summit of Western leaders in Tokyo. It remains unclear, however, whether the move will be primarily a public relations gesture which will be shelved when Prime Minister Nakasone leaves office, or whether Japan is seriously intent on becoming a pioneer in a host of scientific fields.

The idea for the project came out of talks on how to correct Japan's trade imbalance with the West. Mr Seiichi Ishizaka, head of the Human Frontier Programme Committee, said: "I am convinced that the cause of the trade deficit is the technology imbalance.

"The Japanese have been profiting by producing goods of better quality with the basic and applied scientific knowledge of more developed countries.

"I recognise the danger of technology protectionism. Japan, as a result, should put more efforts on basic studies."

The project, if approved, is proposing a 10- to 20-year study of human and organic processes, such as locomotion, ageing, memory, metabolism.

Mr Takeo Arimoto, an official with Science and Technology Agency, which is developing the Human and Earth Sciences Programme, said Japan did not expect the project to produce any immediate industrial benefits. "We will regard the research as international property," he said.

Western diplomatic observers, however, remain sceptical about the project. "We'll probably hear a lot about it at the Summit, but after that, it's anyone's guess. This idea is revolutionary in Japan. Research for research's sake. Industrialists are bound to say what is the point?" one said.

China to allow shares to be bought in state companies

PEOPLE in at least five Chinese cities will be able to buy shares in state companies and write personal cheques for the first time, the China Daily said yesterday, Reuter reports from Peking.

It quoted Liu Hongru, vice president of the People's Bank of China, the central bank, as saying the five cities would serve as experiments for the whole country.

More than 10 companies in Shanghai, none of them state-owned, have issued shares since 1983 and one will pay 18,000 stockholders a dividend this year, the first such payment since 1949.

State companies have up till now not been allowed to issue shares to the general public.

China has no stock market and shares buyers have not been able to trade them publicly.

Liu said the aim of the new measures was to develop a nationwide financial market, which the central government did not have to control directly. The five cities are Changzhou, Chongqing, Shenyang, Wuhan and Canton.

He said Chinese banks would soon offer personal and travellers cheques.

Companies and state organisations use cheques, but individuals have to pay for everything in cash.

S. Africa's ruling party criticises extremists

By Anthony Robinson in Johannesburg

GOVERNMENT CONCERN at growing evidence of a white backlash and support for right-wing movements is reflected in the latest edition of the National Party's official magazine.

A front-page editorial entitled "Whither South Africa" accused white extremists, like those who recently fired at innocent blacks from moving cars in hands of Communist-inspired five separate incidents in the Transvaal, as playing into the revolutionaries. It warned that, if a full-scale racial conflict did take place, "neither South Africa nor the whites" could survive.

Questioning whether 1.1m white adult males could run the economy and at the same time protect whites against millions of blacks armed and supported from outside, it accused right-wing military forces like the Afrikaner Weerstandsbeweging (AWB) "of acting the role of what Lenin described as 'useful idiots'." That is "the road leading to national suicide, the editorial added.

The National Party Government, it said, conceded that the blacks had legitimate grievances which needed to be removed, including surmounting the educational backlog.

It said that whites felt insecure because of the continuing unrest in black townships, orchestrated revolutionary pressures from Moscow and sanctions imposed by Western governments in a way which suited the revolutionaries.

Apart from the AWB, the editorial also attacked the right-wing Conservative Party "which condones these excesses and wishes to enter an alliance with it."

The outspoken editorial has been timed to coincide with the opening of the post-Easter session of Parliament and a week before President P. W. Botha is expected to urge parliament to put on the statute book reforms such as the restoration of citizenship to blacks, abolition of the hated pass laws, property rights for blacks and the removal of obstacles to black business.

President Chadli prepares for a major challenge, Francis Ghiles reports

Algeria faces the moment of truth

"LE TRAVAIL et la rigueur pour garantir l'avenir" (hard work and discipline guarantee our future).

The neon lit slogan flashes on and off throughout the night from the roof top of the Ministry of Light Industry, in the heart of Algiers, and in full sight of the El Djazair Hotel, where all well seasoned business visitors stay.

Implementing the message which that slogan carries is a vital necessity if President Chadli is to meet the challenge presented by the expected 40 per cent decline in Algeria's foreign oil and gas income this year.

The Government, led since 1984 by M Abdelhamid Brahimi, does hold some good cards. The country's foreign financial position is sounder than that of many oil producing countries because of the policy pursued since 1980 aimed at cutting back many grandiose industrial schemes and containing the foreign debt. Last year's trade surplus is estimated to have reached about $3.2bn (exports were worth dinar 68.5bn (£9.7bn), a decline of some $300m on the 1984 figures. The deficit in services declined last year by about 10 per cent to $3bn while debt servicing absorbed an estimated $4.3bn. That figure is set to fall by a few hundred million dollars this year.

The overall debt can be estimated at about $17bn while hard currency reserves increased between December 1984 and the end of last year by about $1bn to $2.5bn. Algeria is in good standing with international banks, but a miscalculation by the Banque Algerienne de Developpement when it launched earlier in February a

Abdelhamid Brahimi . . . holds some good cards

$500m, 10-year loan with a margin of ⅛ per cent over the interbank rate—which then had to be cut back to $300m, will not help the country's credit rating. Despite this set-back Algeria has a capacity to raise more money and enjoys substantial unused lines of credit with export finance organisations and the World Bank.

The progress made in unshackling the farming sector from the agrarian revolution launched under the late President Houari Boumediene—and which came close to destroying agriculture in Algeria—is very much in evidence. Land expropriated in the 1970s is being returned to its former owners; large coastal tracts no longer lie fallow; production of fruit, vegetables and eggs is increasing; last year's cereal crop was a record thanks to plentiful rains. Subsidies have also been cut on flour and oil.

Prices in the many free markets which have sprung up since 1980 are high and rising while the activity of the new "millionaires du legume," recently denounced in the ruling Front de Liberation National weekly Revolution Africaine could present a serious challenge to the government.

Overall however, the drive of the Minister of Agriculture, M Kasdi Merbah, who, in the 1970's was the much feared head of internal security, has changed the picture for the better. But with a population rising at a rate of 3.2 per cent per annum it is a race against time, particularly for a country which imports more than half the food it consumes and where, at least so far, nobody starves.

The private sector, which employs about one-third of the labour force, was much despised until this decade but is now being encouraged to invest in domestic industry. It welcomed a cut in corporate tax from 60 per cent to 50 per cent as contained in the 1986 budget. Many entrepreneurs are ready with major new projects, but they are well aware of the chronic problems related to Algeria's infamous bureaucracy—four years is not an uncommon length of time to set up a small plant.

Certainly, business interests in Algeria and outside the country are emphatic in their desire to see some streamlining of decision making and of project implementation.

But behind the comparatively bright side of the economic ledger are the harsh realities of the energy crisis. Last week Algeria, which derives 97 per cent of its foreign income from hydrocarbon products, agreed to cut the gas price they charge the French, their second largest customer. Algeria is in dispute with the Distrigaz of Belgium. Natural gas alone accounts for a quarter of the foreign income last year of Sonatrach, the state oil and gas concern.

Clearly the penny has begun to drop on Algeria's body politic because of the changing energy fortunes. In the last month, the media have been touting the Government line on the need for "belt tightening" and "self reliance."

This has sharpened focus on some of the country's more cherished infrastructural projects, which the government is now having to seriously consider cancelling or delaying.

Military expenditure is already being trimmed in certain fields, such as the scaling back of the modernisation of the Boufarik air base. It will be a long time before President Chadli can afford to give the go-ahead for such expensive schemes as these.

Another delicate challenge awaits the Algerian leadership—that of the eventual participation of foreign capital in Algerian projects. The joint venture law of 1982 satisfied no one and only one foreign company, Siemens of West Germany, signed up. It gives no real guarantees to foreign companies, either in terms of profits or management rights. It offers the worst of both worlds: those in the state apparatus who are against it point to the lack of enthusiasm foreigners have displayed while those who wish to go further can only complain in private.

The new cabinet announced after last December's FLN Congress includes many highly competent officials, and they are people whom the President can trust. Today they face what may prove to be the most difficult year since the Chadli Government came to power in 1979.

Car bomb kills nine in Lebanese port

AT least nine people were killed and scores wounded by a car bomb which blasted the Christian-held port of Jounieh, north of Beirut, according to a Christian radio station, Reuter reports from Beirut.

The car, packed with dynamite, exploded between a bank and a municipal building, residents said.

The bomb set buildings ablaze and wrecked more than 100 cars.

Taiwan trade surplus

Taiwan registered a trade surplus of $1.02bn (£703m) in March, a record 190 per cent increase over the same month last year despite import tariff cuts in February, according to a Government announcement, AP-DJ reports from Taipei.

Mr Vincent Siew, director-general of the Board of Foreign Trade said that, while the full effect of the cuts might not be felt immediately, "the surplus figure also indicates we have to do more to increase imports."

Exports in March totalled $2.96bn, up 33.3 per cent from a year earlier, and imports totalled $1.98bn, an increase of 4.1 per cent.

Four killed in Punjab

Four people were killed yesterday in India's troubled northern state of Punjab, where nearly 400 Sikh militants were arrested over two days, police said, AP reports from Amritsar.

Two Sikh moderates were murdered by attackers who escaped on motorcycles, and in other incidents a Hindu police bodyguard of a state official and another Sikh official were killed.

Clashes in Afghanistan

Fighting between Soviet-supported Afghan forces and Moslem insurgents in eastern Afghanistan is continuing, western diplomats said yesterday, Mohammed Aftab reports from Islamabad.

They said that 100 Afghan soldiers had been killed at Ghazni along southeast of Kabul, the capital, and their bodies flown to Kabul for burial.

Peres faces pressure to abandon Likud deal

BY ANDREW WHITLEY IN TEL AVIV

DEADLOCK continued yesterday in the Israeli political crisis as Mr Shimon Peres, the Prime Minister, braced himself to face expected strong demands at a key Labour Party congress, which opened last night, to break the leadership rotation agreement with Likud.

Neither Labour nor Likud showed signs of being willing to back down over the Prime Minister's insistence on the dismissal of Mr Yitzhak Moda'i, the Likud-nominated Finance Minister.

All that was agreed overnight was to postpone a final decision until next Sunday's scheduled cabinet meeting.

But one senior Labour Party official predicted that however the crisis is resolved—a crisis which centres on the authority of Mr Peres as Prime Minister as well as control over economic policy—after the weekend, Mr Moda'i will no longer be Finance Minister.

One possible solution to the impasse suggested yesterday by Mr Peres would be for Mr Moda'i to remain in the Cabinet with a different portfolio.

Under the terms of the rotation agreement, this would require the Likud to name a replacement for the finance ministry.

But first reactions from Likud branch were not promising. One said that Mr Moda'i's departure from the important finance ministry would mean the end of the coalition government.

Meanwhile, the Labour alignment began last night one of its most important congresses for years, with the issue of the power-sharing arrangement with Likud dominating all other topics.

David Lascelles, in his third article on world banking, says a global market is on the way

Round-the-clock bankers

"I DON'T think we are a US firm any more. We are a global firm with a US subsidiary. Our branches in London and Tokyo are resource-sufficient like New York, just on a smaller scale."

Claims such as this from Mr Tom Strauss, the director who co-ordinates international activities at Salomon Brothers, the Wall Street securities house, come thick and fast these days as institutions set up their shops in foreign markets, and pull them together with expensive electronic hardware.

But though the idea of a single, huge global market, trading every kind of financial instrument 24 hours a day, has seized people's imaginations and is undoubtedly on the way, it still has not arrived—to the relief of many bankers who expect life to become rather dull once every stock and share in the world starts behaving exactly the same way.

It is 8 am at 33 King William Street, the Thameside headquarters of S. G. Warburg, the UK merchant bank which, like Salomon, wants to belong to the select band of "global" institutions. Even at this hour, dealers are busy on the phones, trading orders and chewing the fat with Tokyo, where it is 5 pm. Mr Oscar Lewisohn, the vice-chairman responsible for treasury and international capital markets risk management, holds his morning conference at 9 am to discuss the shape of the bank's "book" and the day's outlook.

Over the years, Warburg has built up the largest Eurobond business of any UK institution. As part of Big Bang it has joined forces with a jobbing firm and two stockbrokers to strengthen its market-making and distribution. In February Mercury International Group, its holding company, became one of the first houses to have seats on the London, New York and Tokyo stock exchanges, and within a year or two, it hopes to be a primary dealer in US government bonds.

10 am: The primary Eurobond market is busiest in the morning as houses launch new issues. But this offshore business is well established. The newer game is trading in securities from national markets.

Noon: Calls come in from early risers in New York where it is 7 am. They may want to take a position before US official statistics are released (some come out at 8.30 am, before the 9 am Wall Street opening).

Warburg makes markets in 800 securities in London, less than some of the large US and Japanese investment banks, but enough to make it a credible player—and present it with the task of managing a global "book."

Despite all the talk of banks passing their books from one centre to the next with the sun, most divide them up into countries or currencies, and assign responsibility for each segment to the main market. So UK gilts are managed from London, US securities from New York and Japanese stocks from Tokyo. But highly liquid securities, like US Government bonds, may be traded anywhere, usually within pre-set price and volume ranges.

Chase Manhattan, which has one of the most extensive global networks, is experimenting with a small global book of around $250m of bonds which is handed on by special dealer units in New York, Tokyo and London. It is too early to gauge its success, says Mr Ronald Reading, head of Chase's securities and trading in London. But it has shown that one of the key issues is how you share responsibility.

At Warburgs, the management committee sets overall exposure limits which no centre should exceed without referring to HQ. At the end of the London day, Mr John Difford, the senior Eurobond director, sends on to New York indicative prices for Eurobonds which the US trading team can quote for transactions up to £5m. This gets passed on to Tokyo later.

Warburg's traders in New York and Tokyo can buy or sell large amounts of securities so long as there is a matching transaction to prevent a big increase in Warburg's net exposure. Any deal which would substantially alter Warburg's book must be cleared with London, even if that means dragging someone out of bed in the middle of the night. (He would have a special bleeper giving the latest currency and interest rate information.)

This brief delay could cost the salesman in New York or Tokyo his deal in a fast-moving market, and most banks have considered setting up full round-the-clock trading operations. Citicorp now trades 24 hours in New York with three eight-hour dealer shifts, and Warburg expects to in a year or two.

No bank yet makes true all-weather markets in all securities everywhere. The communications and manning costs are still too daunting. So are the risks. "That's too much like roulette," says Mr Lewisohn. So banks specialise in the markets they know best—their own.

2 pm London, 9 am New York: Wall Street opens, and the overlap between the European and the US market marks the high point of the global trading day. Within the next three hours, hundreds of billions of dollars of securities and currencies will be traded across the Atlantic.

Busiest dealing is in US treasury bonds which have,

BANKING: THE NEW FRONTIERS

over the last year or so, become the first truly global security. So liquid are they that a $100m offer will get five instantaneous bids and pass without a ripple.

Dealing has now spilled over into London and Tokyo, where some $2-3bn worth are traded daily in each centre. This is a blip compared to the $70bn that change hands in New York. But it equals what was traded in a whole month in those two cities a couple of years ago.

The growth has been fuelled partly by investment demand, partly because traders use them to hedge their Eurodollar positions. Above all, the yields on these bonds have become the yardstick for the cost of capital virtually everywhere. In the US, Europe and the Far East, bonds are priced "off Treasuries." UK gilts and Japanese Government bonds have also begun to be traded internationally, but only in a small way.

5 pm London, Noon New York: At Warburgs, members of the risk committee examine the day-end book. If there is an uncomfortable exposure, they take hedging action, possibly in the financial futures markets.

Futures are a step or two behind the globalisation of securities trading, but logically they must follow. The key question is how quickly Tokyo's fledgling futures market can complement London and Chicago's, and how soon contracts can be traded in all three markets simultaneously. US Treasury bond futures are traded in London, and there are plans for a Japanese bond future that could be traded in the main markets. But the Chicago markets, the world's largest, are wary of this because it could cost them market share.

2 pm New York. The pace has slowed in Warburg's dealing room on Park Avenue. Warburg has capitalised its US operations at $65m, which Mr Nicolaas Millward, the executive director, says is more than it needs "but anything less is not going to bowl anybody over." Using prices from London, Warburg is swapping gilts into dollar instruments to sell to US institutions, who are still a little wary of securities denominated in foreign currencies. But trading in overseas bonds is growing: "The onus is on us to make the markets to get it off the ground" says Mr Millward.

Warburg has a 30-person office in San Francisco to provide that other vital service—research. If intelligence is one of the unifying forces in a global market, then consider Merrill Lynch: it can flash new opinions on 300 non-US and 1,200 US stocks to 2,000 brokers around the world, in addition to the 11,000 it has in the US.

5 pm New York. Prices start winking on the screen from Sydney, where it is dawn, and soon Tokyo opens up.

8 am Tokyo, 6 pm New York: The ten hour gap between New York and Tokyo is called "the funny period," which Australia would like to fill. But all centres are starting earlier and ending later to enlarge the overlap between them. "We work long hours," says Christopher Purvis, manager of Warburg's Tokyo office by Hibiya Park where traders are holding their morning conference call with New York.

The international markets in Tokyo are the thinnest of the three: trading is volatile, and spreads are large, which gives traders opportunities to make — or lose — a lot of money. But the linkage is growing. When the Japanese government pushed up interest rates last November, US treasuries fell sharply on the local market, even though Wall Street was fast asleep. And they rallied on the two recent cuts in the Tokyo discount rate. Foreign exchange turnover is also soaring in Tokyo, and so are securities swap transactions, all of which is tugging the Japanese market into the mainstream.

Later this year, Japan is starting an offshore banking market which will draw in Eurocurrency trading. But as in New York's offshore market, dealing in securities will not be permitted, so London's role as centre of the Eurobond market will not be affected. Some bankers see London becoming the biggest link in the global chain because it is home to the Euromarkets — and seems set to become the busiest centre for cross-border equity trading.

5 pm Tokyo, 8 am London: Lines between Tokyo and London are jammed as everybody piles into the brief overlap. Like most banks, Warburg does not have dedicated lines between its offices—yet. But technology is advancing by leaps and bounds.

Banks have learnt to programme computers to spot subtle trading opportunities between markets thousands of miles apart. So could the entire operation not be run more economically from a single centre rather than expensive overseas offices? No, say bankers, because first-hand information on local markets is vital. Mr David Burton, Warburg's treasurer, said: "Unfortunately the computer does not ring a bell when the market has reached the bottom."

Previous articles appeared on April 2 and April 7.

AMERICAN NEWS

US intensifies bid to counter Libyan threat

BY REGINALD DALE IN WASHINGTON AND RUPERT CORNWELL IN BONN

THE US has intensified its consultations with allied governments on combatting Libyan-sponsored terrorism since last week's explosion aboard an Athens-bound TWA airliner and the weekend bombing of a West Berlin nightclub, US officials said yesterday.

They denied, however, that Washington was putting pressure on its allies to take action against Libya, or that it had made any specific request. "Pressure doesn't work—it's counterproductive," said one official.

In Bonn, however, officials said yesterday that the US was again pressing for retaliatory measures against Libya. The West German Cabinet will today discuss US pressure for sanctions against the regime of Col Muammer Gadaffi in the wake of the Berlin bombing.

The US is backing its case with documents apparently containing evidence of Libyan involvement. The file is understood to include an intercepted radio message from Tripoli to the Libyan mission in East Berlin congratulating it on "a well-executed job."

But the indications are that Bonn, whatever its concern, will not be stampeded into precipitate action. The officials said that the documeots offered clucs and grounds for suspicion, but did not constitute conclusive proof that Col Gadaffi was behind the bombing.

Administration officials in Washington said that the US took the view that the allies should decide what to do in their own interest, and in the light of local circumstances in each country. The discussions were taking place at ambassador level, in Washington and allied capitals.

It was unlikely that Washington would send a new emissary to western Europe to press for allied sanctions against Libya, in the footsteps of Mr John Whitehead, the deputy secretary of state, who did so without great success earlier this year.

Nevertheless, the officials made it clear that they would like to see allied governments impose economic penalties on Libya, expel Libyan representatives suspected of complicity in terrorism and make it more difficult for Libyan terrorists to travel freely in Western Europe.

The Europeans could, for example, tighten up visa and passport controls.

Mr Diether Plete, heading the West Berlin police investigation into the affair, said that enquiries so far had still not yielded a firm lead towards identifying those responsible. Two people, one of them o US soldier, were killed by the explosion early on Saturday morning. Another 230 people were injured.

However a West Berlin Interior Ministry official was reported last night as confirming o story in the mass circulation Bild Zeitung newspaper, that a Libyan diplomat stationed in Eost Berlin, named as Elamin Abdullah Elamin, wos under suspicion of hoving directed the attack.

● Brigadier Abu-Bakr Younis, commander in chief of Libya's armed forces, said that 56 people hod been killed by US missiles in last month's clash in the Gulf of Sirte, AP reports from Cairo.

US companies awarded space aircraft contracts

US companies yesterday won contracts worth $89.5m (£61.7m) for research into an aircraft that would fly in space and take two hours from New York to Tokyo, Reuter reports from Washington.

The Defence Department and the National Aeronautics aod Space Administration (Nasa) said seven contracts were awarded for research into advanced structures, high-temperature materials and propulsion systems for the aircraft which could be flying by the end of the century.

The contracts went to United Technologies, General Electric, Boeing, General Dynamics, Lockheed, McDonnell Douglas and Rockwell International.

Mexico set to lower sights on US finance

By Stewart Fleming in Washington

MEXICO, which has trimmed back significantly estimates of the volume of new money it will need in 1986, is not expected to raise substantial sums directly on a bilateral basis from the US this year, according to bankers and officials closely involved in the country's debt negotiations.

Earlier this year, as oil prices plunged, Mexico told its bankers that its new money needs might run as high as $8bn (£5.5bn) or $9bn in 1986. This sparked speculation that the US would be asked to put together an emergency financing package.

But in the past few weeks, following extensive talks in Washington with Mr James Baker, US Treasury Secretary, and Mr Paul Volcker, Federal Reserve Board chairman, the Mexican Government has abruptly scaled down its estimates, suggesting that about $4bn is now its target.

The shift is said to reflect a recognition by Mexico that the US is unwilling at present to consider an emergency financial aid package. Instead, the US is expecting some $2.5bn to be made available from commercial banks, $1.2bn from the World Bank, $0.9bn from the International Monetary Fund and, as much as $1.2bn from a rescheduling of Mexico's official debt through the Paris Club of government creditors. The clear implication of such scaled-down financing is that Mexico accepts it will have to implement domestic economic reforms.

Mexican officials still insist that industrial countries must accept the need for a new approach to the debt crisis in which the burden of adjustment is shared more equally. In a speech on Monday to a seminar on Latin American debt at Emory University in Atlanta, Georgia, Mr Jesus Silva-Herzog, Mexican Finance Minister, said that if only a fraction of the benefits the industrial countries are getting from lower oil prices could be channelled to debtors such as Mexico which have been hit by the oil price decline "this would significantly remove the danger (of) a further deterioration of the debt crisis."

But he added: "There must be a lot of changes in the economic policies of our countries . . . we have got to be more export oriented and more competitive."

Nicaragua refuses to sign peace treaty

BY ROBERT GRAHAM, LATIN AMERICA EDITOR

NICARAGUA HAS refused to consider signing a Central American peace treaty proposed by the four nation Contadora Group while President Ronald Reagan persists with his plans to provide $100m (£68m) in military aid to rebel groups seeking to overthrow the Sandinista Government in Managua.

The refusal led to the break-up on Monday of a meeting of Latin American ministers in Panama called by the Contadora Group to discuss the proposed treaty.

After the meeting, Father Miguel d'Escoto, the Nicaraguan Foreign Minister, accused the Reagan Administration of blocking progress towards a peace treaty. He said: "It is a pity that this hawkish and interventionist policy of the US . . . stops Latin American countries from making more significant advances in the negotiating process."

Before the meeting began, the Contador Group—Colombia, Mexico, Panama and Venezuela—had hoped that a deadline could be agreed for the signature of a final draft of the treaty. However, the meeting, also attended by the five Central American countries and a support group of Argentina, Brazil and Peru, broke up after three days. Another meeting has been set for June 6 and the Central American countries have a week to decide whether they will attend.

Throughout the three days of talks the Nicaraguan representatives insisted that no progress could be made while the US was openly backing the anti-Government rebels. Father d'Escoto said that for Nicaragua to sign a peace treaty that envisaged demilitarisation of the region would be suicide without a similar pledge from the US.

In a carefully worded communiqué issued after the meeting, the ministers called for an end to support for "irregular forces or insurrectional movements." This was a thinly veiled criticism of President Reagan's policy in Central America but also carried an implied condemnation of Cuban and Nicaraguan support for rebel groups in El Salvador.

Reginald Dale in Washington adds: Both supporters and opponents of US military aid for Nicaragua's Contra rebels immediately latched onto the collapse of the talks as proving their case. Republican Senator Larry Pressler of South Dakota welcomed the meeting's failure as a positive development, because it showed clearly that the Sandinista Government was not interested in a negotiated solution.

Other supporters of President Ronald Reagan's $100m aid package for the Contras are likely to make the same point when the plan comes up for debate in the House of Representatives next week.

On the other side, Congressman Michael Barnes of Maryland, a leading Democratic opponent of the aid, said that the failure of the talks showed that negotiations would not succeed until the US stopped its interventionist policies in Central America. Mr Barnes was an observer at the Contadora meeting.

The majority view on Capitol Hill yesterday, however, was that the collapse of the negotiations would help Mr Reagan to get his way in the House.

Bridget Bloom reports on the US policy of increasing competition for defence contracts

Armed forces wage 'value for money' war

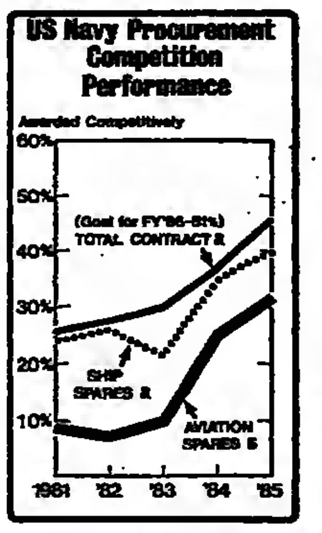
"DO YOU think the Navy is being overcharged? Call the Pricing Hotline! Others have, and we're saving millions!"

Admiral Stuart Platt, the US Navy's competition advocate-general, is proud of his new telephone service: calls are coming in, in response to his enjoinder, at the rate of 1,000 a month as naval personnel report overcharging on spares by the US defence industry. Admiral Platt reckons the price-fighting campaign will save $65m in future spares purchases after just one year's operation.

The Navy's hotline was set up last year, following enactment by the US Congress of the 1984 Competition in Contracting Act, which the US Army calls the most significant piece of procurement legislation to be passed in the US since 1947.

The impetus for the Act, and the policy of competition which it enshrines, came from the twin pressures of economic constraints on the US defence budget and moves for reform, within Congress in particular, of the whole US defence procurement process. This has gained momentum following disclosures of the purchase by the armed forces of ashtrays at $500 apiece and other equally overpriced items every day.

The Competition Act covers all the US armed services and federal procurement agencies. The Navy, Air Force and Army now have their own competition advocate-generals, with substantial support staff, to run the new policies for which dramatic achievements are claimed. Admiral Platt notes that in 1980 only 15 per cent of the Navy's shipbuilding programme was competitively awarded. Last year the figure was 84 per cent, with savings between 1983 and 1985 estimated at $2.5bn.



Dr Thomas Cooper, assistant Air Force secretary with responsibility for procurement, describes how ultimate savings of $4bn are expected from the decision to run a competition between Pratt & Whitney and General Electric to share the production of engines for the F-15 and F-16 fighters. The Army's competition drive started late, but already savings of $200m are reported from completing the purchase of spare parts.

The US record of success so far has greatly impressed those in charge of Britain's effort to get better value from its defence contractors. Mr Peter Levene, appointed chief of defence procurement at the Ministry of Defence a year ago, readily acknowledges his debt to his US counterparts.

Precisely the same motives form the basis of the US and the UK campaigns, even if the scale of them is quite different. US procurement budgets dwarf those of the UK, whose total annual defence spending, at £18bn, is less than the US army's equipment budget of some $32bn: the US Air Force spends $45bn and the Navy $50bn a year on weapons systems.

The point of the US value for money campaigns, as Gen Lawrence Skantze of the Air Force systems command said late last year, is "to get the most bang for the buck." Competition was "a critical means to that end, especially in an era of tight resources and growing requirements," he said.

However, Admiral Platt adds that competition itself is not the goal. "Our objectives are to reduce costs, improve contractor performance and strengthen our industrial base."

Some of the methods being used in the US to bring prices down by now will be only too familiar to British defence contractors. The US armed services, for example, have long been used to competing for the design and early development of a new aircraft or missile system, but once the main contract is let, competition has come to an end. Except for some of the biggest projects—like the B-1 bomber or the MX missile, where comparatively small quantities are involved—successive production batches are now being competed.

Other methods include an attempt to maximise competition in subcontracting: prime contractors are being encouraged to compete at least 50 per cent of their contracts for components or sub-assemblies.

The competition advocates general are also encouraging what is known as "break-out"—items which would normally have fallen to a main contractor to supply are being listed for "breaking out" to competition. As well as bringing advantages in spreading business to small contractors, this is having dramatic effects on prices.

The air force, for example, "broke out" the central air data computer for the F-16 fighter. The equipment, which had formerly been supplied by General Dynamics, went to Sperry in 1983, when the price dropped from $33,000 to $21,000. Opened to full competition last year, Sperry fielded a successful bid for the same computer at $16,300.

With its wide industrial base, the US is also increasing what is known as dual sourcing, where two or more companies compete to supply equipment and at least two—as in the case of the F-15 and F-16 fighter engines—are designated to produce it. Much is being made of the enhanced prospects for foreign—or at least Nato—competition being introduced under this heading, although in fact little has yet happened.

Brig-Gen. Chuck Henry, the Army's advocate general, believes both business and government are being sharpened up. "One contractor came into my office the other day and admitted that now we had started breathing down their necks, they were putting their best people onto our contracts," he said.

Admiral Platt summed up the change: "If we'd told contractors they were overcharging a few years ago, they'd have taken the matter to their lawyers. Now merely raising the question brings a 'correction.'"

Publicly, most companies welcome the competition policy and privately many senior executives admit it was long overdue.

However, as the advocates general themselves acknowledge, there is a great deal of resistance to the new policies at lower levels of both industry and government.

For procurement officials or marketing executives, business is easier with those they know and with equipment they have come to trust.

Despite the problems, the new competition policies have probably come to stay, if only because pressures on the defence budget are expected to get worse, not better. Congress, noting the savings so far, and engaged in a wide-ranging attempt to reform the procurement process, is unlikely to sanction serious backsliding.

WORLD TRADE NEWS

Algeria to cut price of natural gas to Spain by 16%

BY DAVID WHITE IN MADRID AND FRANCIS GHILES

ALGERIA'S state oil and gas monopoly, Sonatrach, has agreed to cut its price for natural gas to Spain by about 16 per cent for the second quarter of this year. This will bring the price down to $3.18 per million British thermal units (BTUs).

The Spanish state-owned compsny Enagas said the new price was believed to be in line with that already agreed by Gaz de France for its Algerian purchases.

The new price appears to be a compromise. Indeed, according to the latest issue of Internationol Gas Report, had it been worked out on the basis of Rotterdam "netback" oil prices for the eight crudes included in Algeria's initial contract with Spain, the price would have fallen by about 40 per cent.

As it is, the agreed price is about 30 cents lower than that paid by western European buyers of natural gas in Holland and the USSR. The price paid for Dutch and Soviet gas will fall later this yeor. Their formulas include a longer reference period over which the price of gas is calculated.

France, Spain, Italy and Belgium have until now been bound by the same price formula in their Algerian contracts, with adjustments made only according to changes in the official Opec oil prices. The Spanish company began negotiations in January to seek an adjustment that reflected the drop in market prices for crude and brought the cost of Algerian gas more into line with that paid to other suppliers.

The new price is about 20 per cent lower than the average paid last year, when Enagas imported 1.57bn cubic metres of Algerian gas for Pta 43bn (£195.4m), Mr Juan Badosa, Enogas chairman, said.

He estimated the savings to Enagas, if both the price and dollar were to remain steady for the remainder of the year, at about Pta 4bn between now and December.

Algeria is Spain's main supplier of gas, followed by Libya. In February last year, the Spanish and Algerian Governments ended e two-year conflict by agreeing a deal reducing the omount of Spain's long-term purchases.

The deal, which followed a period during which Spain was taking only about a third of the omount it had contracted to buy, included compensation to the Algerians of $500m (£340m), covering past price increases and investments made at the Skikda gas complex.

Aerospatiale signs FFr 1bn helicopter deal with Spain

BY OUR PARIS STAFF

AEROSPATIALE, THE French state-owned aerospace group, has signed a contract with the Spanish Government for o FFr 1bn (£90m) sale of 18 military helicopters.

The contract, recently signed in Modrid after months of competition with Agusta of Italy, gives Spain a share in production.

Spain is buying 25-seater Super-Pumas for its army. Madrid bought 12 of the helicopters in 1981. Deliveries are expected to take two years, beginning in 1987.

Among the Spanish companies involved are Casa, Aisa, Marconi Espagnola and Inisel, many of which have worked alongside Aerospatiale on joint projects such as Airbus airliner, the Ariane rocket and Meteosat and Exosar satellites.

These companies will now be seeking to enlarge their presence in the high-technology field of helicopter manufacture.

The accord lays down that the helicopters will be assembled at Aerospatiale's plant near Marseille, using some parts made by the Spanish companies.

Aerospatiale is hoping for an upturn in military and civil helicopter sales after several years of stagnation. Last year 80 per cent of Super-Pumas were exported.

Competition between Agusto and Aerospatiale for the contract has been keen over the past few months.

Delays threaten thermal power project in India

BY IAN RODGER IN NEW DELHI

THE LONG-TROUBLED £350m Rihand thermal power station project in India, for which the UK's Northern Engineering Industries is the turnkey contractor, is threatened by new delays.

But both NEI and its Indian client, the Notional Thermal Power Corporation (NTPC), say relations between them have improved considerably since last year and confidence is being restored.

The 1,000 MW project is nine months behind the five-year schedule set when Mrs Margaret Thatcher, Britain's Prime Minister, and the then Indian Premier, Mrs Indira Gandhi, gave it the go-ahead in May, 1982. NEI has said it had made provision in its accounts for the so-far undisclosed financial effects of the delays.

The project, NEI's first major overseas turnkey power station contract, has been plagued with difficulties in relations between the UK company and the NTPC.

Mr M. L. Shishoo, NTPC chairman, said that the situation had "improved demonstrably" since a major row erupted a year ago over delays in agreeing the specifications required for high pressure boiler pipe and other components.

In particular, a direct style of management had been adopted. Top executives of all the subcontractors now participated with NEI and NTPC in regular meetings to settle issues.

However, "we are still not ont of the woods," Mr Shishoo said. He identified four areas in which he said work was behind schedule:

● Cabling: NEI bas not yet completed the task of assessing the need for various types and sizes of cable for the power station, and so orders have not yet been placed.

● Low-pressure pipe: Babcock International, the sub-contractor, is behind schedule on the production, partly because of delays in receiving specifications.

● Low-tension switchgear: NEI is behind in its production of this equipment, which is normally made towards the end of a project.

● Coal-handling equipment: Babcock, the supplier, is behind schedule, again partly because of specification problems.

Mr Shishoo said these problems were discussed with NEI in London last month. It was the NTPC's view that NEI needed to commit more management inpnts to the project if further delays were to be avoided.

He added that NEI was "very responsive" to this point. A large task force had already been set up to tackle the cabling problem, for example.

He said he was worried there might be further slippage from the November, 1987 deadline, but he had insisted, and NEI had egreed, that this would not be accepted for the time being. "We refused to discuss any further delay, even though we know there are critical areas."

Mr Terry Harrison, the NEI chairman, who was in India last week to assess progress on the project, said in New Delhi that he agreed with Mr Shishoo's assessment.

He pointed out that the improvement in relations was partly the result of project management changes on both sides. "It is not that we are putting in four times the effort. Our efforts have been consistent over the 30-month period. We are now seeing the effect of that sustained effort."

Mr Harrison said NEI believed the project deadline could still be met. "That is what we are going for. If there is any slippage, it will be minimal."

Mr Graeme Anderson, an NEI manager, said that Rihand, in a remote part of Uttar Pradesh in north-east India, was a difficult site. There were 10,000 workers on-site and not one telephone.

He added that, as at last week, NEI and its subcontractors had completed fabrication of 50,000 tonnes of steelwork out of a total of 104,000 tonnes. A further 20,000 tonnes were in transit from the UK.

He also pointed out that it was normal for problems to arise on large projects. The four now preoccupying the managers were out of a total of 59 "packages."

Mr Harrison said: "It is a job we have learned a lot from, and it will stand us in good atead in the future. Building a power station in the middle of India is no mean feat."

Mr Shishoo said NTPC was eager to proceed with the second phase of the Rihand project, which would see a doubling of its capacity, and the British Government has indicated its willingness to provide aid for it.

However, the final decision would probably not be taken until the first stage was near completion. "December, 1987 would be a good time for a decision," he said.

The NEI contract was the first granted by the NTPC on a turnkey basis. Asked if it would use this method again, Mr Shishoo said: "It is a question of who you give it to."

NEI said it would definitely be interested in participating in phase two.

Singapore gives UK assurance on copyright

By Christian Tyler, Trade Editor

SINGAPORE HAS assured the British Government that new copyright laws coming into force by the end of the yeor will stamp ont unanthorised reproduction of UK books and records.

The assurance was given to Mr Micheel Howard, a Department of Trade and Industry Minister, during his recent visit to financial centres of the Far East, the DTI said yesterday. Book and record piracy cost British publishers nearly £70m in lost sales last year, according to the department.

Mr Sidek Bin Saniff, a senior official in Singapore's Ministry of Trade and Industry, told Mr Howard the provisions of the copyright bill would be applied to Britain bilaterally and reciprocally.

Singapore was unlikely to sign the universal copyright convention before its own law took effect, the DTI said.

● The US will make "vigorous use" of its trade laws to ensure that trading partners respected US patents, copyright, trademarks and trade secrets, Mr Clayton Yeulter, US trade representotive, said on Monday.

Malaysia hosts travel conference in tourist drive

BY WONG SULONG IN KUALA LUMPUR

MALAYSIA, in o bid for the tourist dollar, plays host over the next two weeks to the annual conference of the Pocific Area Travel Association (Pata).

Starting today, some 2,500 government, airline and tourism officials will meet in the capital to discuss tourism strategy for the Asian and Pacific region for the next year. But they will also be subjected to a massive public relations drive sponsored by the Malaysian Government and tourism industry which, in recognition of the foreign exchange tourism brings, is seeking to elevate the role of the industry in the economy.

Malaysians in recent weeks have been called on almost daily to demonstrate their traditional hospitality towards visitors.

The last time Pata came to Malaysio was in 1972.

"We were rich then, and we didn't bother much about tourism" confessed a senior Malaysian tourist official.

The economy is now going through e difficult period—structural weaknesses are showing, while the prices of major export commodities, such as tin, have taken a sharp plunge.

The current Malaysia Plan (1986-90) published last month, devotes a full chapter to tourism. The plan stresses tourism's potential in redressing the adverse balance of payments position and being "a source of growth and employment generotion."

Dr Mahathir Mohamad, the Prime Minister, shocked hoteliers in Kualo Lumpur last year by telling them that they deserved to lose money because hotel rates in the capital were the second highest in Asia, after Tokyo. Malaysian hotel rates have since fallen sharply from a combination of low occupancy and reductions in electricity costs.

Between 1980 and last year, the number of tourists to Malaysia grew by 7.5 per cent a year to 3.2m. Earnings from tourism were estimated to have risen from Ringitt 713m (£186m) to Ringitt 1,730m (£442m) during the period. Tourism is now the country's fifth biggest foreign exchange earner.

Most of the tourists are from neighbouring countries, with those from Singapore and Thailand, making up to 70 per cent. The high yield, long haul market originates mainly in Japan, Australia and Britain.

Under the Malaysia Plan, the Government is allocating Ringitt 571m for tourist projects, compared with Ringitt 148m under the previous plan.

The 1986 budget extended the range of tax incentives enjoyed by hotels to other tourist-related businesses, such as motels, parks and zoos.

Tourism projects are eligible for soft loans under the government's Ringitt 1bn new investment fund.

Malaysian and Singapore tourist officials are pledged to sell their countries as a joint tourist destination: something which makes sense, but has not been successful in the past because of political misunderstandings.

Swiss watch industry leads world market

BY WILLIAM DULLFORCE IN GENEVA

THE SWISS watchmaking industry consolidated its position as world market leader last year, when it notched up a 12.2 per cent growth in the value of its exports against the 8 per cent achieved by its closest rival, the Japanese industry.

The value of Swiss watch exports totalled SwFr 4.3bn (£1.47bn) in 1985 against the equivalent of SwFr 3.5bn for the Japanese, according to figures released yesterday by the Federation of the Swiss Watch Industry.

Employment in Swiss watchmaking increased for the first time in this decade, by 1,000 to just under 32,000, although it is far below the 90,000 people who worked in the industry in 1970.

The strength of the Swiss continues to be in the high-price end of the market: their quality watchmakers made only 2 per cent of the watches exported but garnered 42 per cent of the export revenue.

However, last year also confirmed the Swiss comeback in the bulk, low-price market, from which in the crisis years of 1982 and 1983 it appeared that they had been chased by the Japanese and other Asian manufacturers.

The number of Swiss watches sold abroad in 1985 increased by 41 per cent following the spectacular performance of the plastic Swatch, of which 8.5m were made, and production failed to keep pace with the demand.

Mr André Margot, federation president, nevertheless viewed the immediate future "with some confidence."

The Swiss are also signalling their new confidence by opening the Basle Watch Fair for the first time to Japanese and Hong Kong exhibitors. It opens on April 17.

US group wins Ceylon contract

THE Ceylon Petroleum Corporation has signed a contract with Imodco of the US for construction of a single point buoy mooring near the Colombo port, Mervyn de Silva writes from Colombo.

The three-stage project, which will cost SL Rupees 900m (£22.5m), is due to be completed by the end of 1987. It is expected to cut freight rates by 50 per cent and produce an annual saving for the corporation of SL Rnpees 200m.

UK Provident rescued by rival life office

BY ERIC SHORT

UK PROVIDENT Institution, the mutual life company which has run into financial trouble, is being rescued by the Friends' Provident Life Office, another larger mutual life company in what effectively amounts to a take-over.

With-profit policyholders in UK Provident were warned that reductions in bonus rates were inevitable, and the interim bonus rates have been cut, with immediate effect, by around 10 per cent.

Mr Fred Cotton, chief executive of Friends' Provident, said that he saw the arrangement as an "operational" merger. UK Provident will cease marketing most of its product range, mainly traditional contracts, and its marketing organisation will be selling, with immediate effect, Friends' Provident contracts.

A joint statement from the two companies laid the blame for the financial troubles of UK Provident on its investment policy and in particular its significant holding in unquoted securities, a substantial part of which are in the oil and gas exploration field.

Mr Cotton said that UK Provident had run down its reserves in financing the rapid growth in business over the past few years. The merging of the two operations would result in significant cuts in unit costs of acquiring new life and pensions business.

While the life funds of UK Provident will be separate for the time being while the investment problems are sorted out, eventually they will be integrated with Friends' Provident funds.

The merger will need the approval of policyholders in both companies, although the exact procedures are still being investigated. It is more than 50 years since the last merger of mutual life companies took place.

Mr Cotton said that some redundancies among UK Provident staff were inevitable. He saw no problem with his own policyholders who he assured would have their expectations unimpaired. He had been looking for such a merger with another mutual life company, and UK Provident was in many ways an ideal partner.

Mr Stamps Brooksbank has resigned as chairman of UK Provident. He is succeeded by Mr Richard Stanley, the previous deputy chairman. He agreed that the company had looked at certain other mergers and options.

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Bristow 'bribes' inquiry launched

By Lionel Barber

THE DIRECTOR of Public Prosecutions is investigating claims by Mr Alan Bristow that he was offered a knighthood in return for dropping his support for the European aerospace consortium during the Westland affair, it was disclosed in the House of Commons yesterday.

The disclosure came from Sir Michael Havers, the Attorney General, in reply to a question from Mr Tam Dalyell, the Labour MP.

Mr Dalyell had asked Sir Michael "If the Director of Public Prosecutions has initiated an investigation with a view to prosecution under section 1 of the Honours (Prevention of Abuses) Act 1925 into allegations made by Mr Alan Bristow in respect of Westland's shareholders' meetings?"

Sir Michael's reply was: "Yes."

Mr Bristow, a former helicopter operator and now a substantial shareholder in the Westland helicopter company, has claimed that two unnamed Conservative peers (members of the House of Lords), made the offers last January.

One of the offers allegedly came shortly before an inconclusive shareholders' meeting where a rescue plan by Sikorsky, the US helicopter maker, and Fiat of Italy was defeated.

Mr Bristow publicly disclosed the alleged bribes just before a second shareholders' meeting on February 12, when shareholders voted decisively in favour of the Sikorsky-Fiat package. But he has refused to name the two peers publicly.

However, he has given evidence in private to the House of Commons' Trade and Industry Select Committee which is investigating the Westland affair. Several MPs have shown an interest in Mr Bristow's claims.

The 1925 Act was introduced after scandals over the sale of honours during the Lloyd George era.

It is understood that Sir Thomas Hetherington, the Director of Public Prosecutions, has asked the police to begin inquiries.

The police will pass on the results of their investigation to Sir Thomas, but the final decision on a prosecution rests with the Attorney General.

Ulster police chief tells of 'godfathers' behind bomb attacks

BY FINANCIAL TIMES STAFF

NORTHERN Ireland police chief Sir John Hermon said yesterday that he knew who was behind the nightly bombing and gun attacks on the homes of police officers in the province and pledged to bring those responsible to justice if he secured the evidence.

He said the attacks, which have forced 14 officers of the Royal Ulster Constabulary (RUC) to flee their homes in the past week, were being co-ordinated by a "very sinister hand." One person, believed to be a part-time member of the Ulster Defence Regiment, was injured in a bomb explosion in County Tyrone.

Sir John said: "There are godfathers, not limited solely to subversives and paramilitaries, who stay well back as mafia organisations are reknowned for doing.

Speaking on BBC radio, the chief constable launched a stinging attack on some Ulster politicians who were associating with paramilitary groups. He said: "There are some politicians at local level, and I am not totally excluding those at national level, who have got close associations with paramilitaries and others of extreme background."

He said many Ulster politicians had spoken out responsibly against the Loyalist attacks on policemen's homes.

But he added: "I do believe some politicians have bedevilled the law-and-order scene and the paramilitaries by relating a political initiative to law and order."

Sir John's comments came as the House of Commons began discussing the attacks. During the debate members of both sides of the house criticised Unionist politicians who had failed to condemn the terrorist campaign.

Mrs Margaret Thatcher, the British Prime Minister, described the attacks on the RUC as "terrible" and insisted they should be condemned by all MPs.

She called on "all Unionists to condemn these activities" adding "we must carry on with the Anglo-Irish accord and do our best to restore peace and stability in the province."

The accord will give the Dublin Government a say in the affairs of Ulster.

Mr Neil Kinnock, the Labour Party leader, "completely endorsed" the Prime Minister's condemnation of violence used against the RUC and underlined the determination to see that the Anglo-Irish agreement was "upheld in peace as a way to peace."

Mr Tom King, Northern Ireland Secretary, praised the courage of the RUC.

Mr King described the situation in Northern Ireland as "dangerous and uncertain" and appealed to Unionist leaders to make a positive response to the invitation issued to them to discuss the issues involved with the Prime Minister and himself.

"It is by talking and not by violence that this problem must be resolved," he insisted.

Mr Enoch Powell, the only member of the Official Unionist Party to take part in the exchanges said the Government had been warned in advance of the disastrous consequences which would inevitably ensue if it entered into the Anglo-Irish agreement.

Ignoring the jeers of other MPs he asked what was to be done to the "evil counsellors" to whom the Government listened.

Stressing that the situation in the province was becoming worse every day, Mr Merlyn Rees of the Labour Party and a former Northern Ireland Secretary, suggested that the Prime Minister should make a television address to the people of Ulster.

He maintained this had become necessary because the politicians in Northern Ireland no longer seemed to count "whatever the reason, they dare not put their heads above the political parapet," he said.

Mr Rees said the Prime Minister should emphasise that the RUC had transformed itself from a Protestant force for a Protestant people into a British police force, engaged in upholding the law against violence.

He suggested that, if it was correct that politicians in Ulster did not count, it was perhaps because it had not yet been possible to get any talks going between them and the Government.

"I believe it is essential that this political matter needs to be discussed by politicians, and not tackled by men of violence in the way that is happening at the moment. That is why it is so important that we do get early discussions."

Leyland Trucks' sales up 20%

By John Griffiths

LEYLAND TRUCKS' first-quarter sales, at 2,501 units, rose by nearly 20 per cent against a downturn in the heavy truck market overall of 3.6 per cent. Its 17.9 per cent share of sales for the three months gave it clear market leadership, some 4 per cent ahead of Ford, its second-placed rival.

Ford itself just managed to beat off a challenge from Mercedes, whose first-quarter sales of 1,888 were only 48 behind Ford's 1,936 total. The Ford figure represents a 27 per cent fall from the 2,680 units achieved in the same quarter a year earlier.

Leyland, which in BL's preliminary financial results earlier this month was said to have much improved its financial performance, sold 1,069 trucks last month, up from 775 in the same month a year ago.

Ford's sales for the month were also up sharply, from 473 to 1,019, after Ford had been beaten into second place in each of the first two months of the year by Mercedes.

Bedford, whose heavy truck operations are the subject of speculation following its parent General Motors' withdrawal from talks on acquiring Leyland, saw a further sales drop in the first quarter to 1,415 from 1,593, well behind Mercedes.

Statistics from the Society of Motor Manufacturers and Traders show that the slow recovery in total commercial vehicle sales last year was not sustained in the first quarter. At 78,473 they were 1.7 per cent down on the 1985 quarter.

Honda deal signed, Page 8

Underwriters face fresh finance blow

MORE THAN 1,500 Lloyd's of London underwriting members, who are facing £130m of insurance losses, have been told that further financial complications have been discovered in the members' affairs, **John Moore writes.**

The new problems have been unearthed by Additional Underwriting Agencies No 3, the independent underwriting agency set up by Lloyd's to look after the affairs of the members.

Members' affairs were once supervised by the controversial PCW underwriting agency, headed by Mr Peter Cameron-Webb. In addition to the large insurance losses, it was discovered by Lloyd's that more than £40m of the members' funds had been diverted in secret by former managers of the PCW agency.

The members have alleged that the insurance losses are directly linked to the earlier irregularities by the former managers.

In an effort to sort out the problem Sir Ian Morrow is seeking a meeting with Mr Cameron-Webb to ask him what action he would have taken in dealing with the mounting losses on the syndicates if he had still been managing the members' affairs.

But Sir Ian, the agency chairman, has told the members that he believes it would be possible for a settlement to be concluded with Lloyd's and another 36 possible defendants in an extensive legal campaign which the members are preparing to mount. So far, the members have reached a standstill agreement with Lloyd's in which litigation will be held in abeyance in an effort to arrive at an out-of-court settlement.

There are fears that the losses will rise to £250m, and Additional Underwriting Agencies No 3 is attempting to produce reliable figures. Once the figures are produced, members are hoping that it will be possible for Lloyd's to arrange a settlement with a contribution from the potential defendants in the legal action and a funding arrangement established throughout the entire Lloyd's market.

□ **LOW-COST** endowment mortgages at an initial rate of 11.75 per cent – 0.25 per cent lower than other major lenders – are being offered by a subsidiary of Salomon Brothers, the international investment bank, in an effort to break into the UK home loans market.

Through a specially formed subsidiary, the Mortgage Corporation, the group has set a target of lending £500m to borrowers in England and Wales during the first year. It plans to spend some £2m in selling mortgages direct to consumers.

□ **LEGISLATION** is planned to give groups of residents in private mansion blocks the right to buy the entire freehold of their property from landlords who fail in their duties.

The measures arise from acceptance by the Government of the main proposals in the Nugee Report on the management of privately owned blocks of flats.

□ **THE HOME OFFICE** is to phase out an allowance paid to civil servants who examine passport applications, after a vote by the staff against indefinite strike action.

The Civil and Public Services Association, which took strike action in each of the six passport offices last month, has accepted that the allowance of up to £517 a year will gradually disappear.

□ **A NEW** British company in computer-aided design has been formed by a group of ex-managers from the UK subsidiaries of Computervision and McDonnell Douglas, two US concerns which are among the world leaders in this technology, which is dominated by US concerns and which accounts for total world sales of about $3.5bn.

□ **FUNDS** or more than £3m are being allocated to improve water supplies in the Falkland Islands. The work is designed to help to meet the needs of Port Stanley until the year 2000.

□ **AN OPPOSITION** attempt to delay the progress of a bill to privatise the management of the state-owned dockyards was defeated by the Government in the House of Commons last night.

UK NEWS

Austin Rover signs deal to make Honda cars

BY KENNETH GOODING AND JOHN GRIFFITHS

AUSTIN ROVER and Honda yesterday signed an agreement under which the BL subsidiary will produce cars for the Japanese group at the Longbridge factory in Birmingham.

From November, Austin Rover will produce about 90 Honda-badged cars a week – roughly 4,000 a year – to be sold through the Japanese company's dealers in the UK.

Mr Mark Snowdon, Austin Rover's managing director (product development), said Austin Rover had been able to reassure Honda that the talks with Ford as a possible buyer were "dead and buried." But he declined to say if Honda had indicated it would have called off further collaboration if the talks had continued.

Mr Snowdon also said the Government's flirtation with Ford as a possible buyer of BL had cost his company between 30,000 and 40,000 in lost sales.

The Longbridge-built Honda cars will have a European content, measured by ex-factory value, of about 80 per cent. They will not count towards Honda's import quota under the terms of the voluntary restraint agreement between the Japanese and British car makers.

Honda sold almost 19,000 cars in the UK during the past two years for a market share of about 1 per cent.

The UK-made Honda models will be those on which the British company's Rover 200-series cars are based. But they will revert to the original Japanese front and rear shapes.

The car Austin Rover will produce for Honda in Japan is called the Civic, but in the UK it will be called the Ballade.

The Rover 200 models have been produced under licence from the Japanese group since June 1984 and replaced the Triumph Acclaim, covered by a similar deal between the two companies.

The group produced about 85,000 Rover 200-series cars last year compared with annual capacity of about 81,000.

Both companies are taking a cautious view of the project and say production of the Honda models will be stepped up only if and when demand requires it. Honda expects no significant increase until the Ballade is replaced by another joint-venture car in 1989.

As with the Rover 200 models, Honda will supply the engines and transmissions from Japan and some of the suspension units.

Austin Rover will be paid for each car it delivers

Mr Harold Musgrove, chairman, said after the contract with Honda was signed that the deal would enable Austin Rover to cover more of its fixed costs but its main importance was in strengthening the collaboration with Honda.

Austin Rover will soon launch the Rover 800 executive car developed jointly with Honda. The Japanese company launched its version at the end of last year as the Legend.

The UK group will produce Honda Legends for sale in Western Europe while Honda will make Rover 800s for Austin Rover's dealer network in Japan and Australia.

Honda does not expect to start taking delivery of UK-produced Legends until the beginning of next year although it expects to give the car its British unveiling at the Birmingham motor show in October. Honda UK expects to sell 2,500 to 3,000 Legends a year, with another 4,000 sales a year on the Continent.

Austin Rover and Honda are expected to follow the pattern of mutual production with their next joint venture, code-named YY and expected to be signed shortly, for the development of a medium-sized car for launch in 1989 to replace the Austin/MG Maestro, Ballade and the Rover 200-series in the UK and the Honda Civic in Japan.

Government delays decision on £240m shipbuilding contract

BY ANDREW FISHER AND PETER RIDDELL

THE GOVERNMENT has delayed until later this month a decision on whether Tyneside shipyard Swan Hunter or state-owned Harland and Wolff of Belfast should be awarded £240m of naval orders.

Following a lengthy discussion during a two-hour meeting of the Cabinet's economic strategy committee, the British Prime Minister, Mrs Thatcher, told Parliament that further inquiries were being made to ensure figures relating to competitiveness were correct.

Any decision is politically fraught because of severe unemployment in both areas and the renewed unrest in Northern Ireland.

Divisions within Whitehall were reflected in yesterday's Cabinet discussions. The Minister of Defence, the Northern Ireland Office and the Scottish Office were all strongly in favour of the orders for two auxiliary oil replenishment ships going to the consortium led by Harland and Wolff and also involving Yarrow shipyard on Clydeside.

However, the Prime Minister and the Department of Trade and Industry have shown interest in helping the newly privatised Swan Hunter yard despite their concern over the industrial trouble at the yard.

Swan Hunter strove yesterday to keep itself in the running for the naval work by launching a frigate secretly in the early morning after its skilled workers had walked out.

The walkout came after union officials had tried to persuade the men to lift an unofficial overtime ban over pay and conditions.

Swan Hunter has said that about 2,000 of its 4,300 jobs would eventually be lost if it did not get the work.

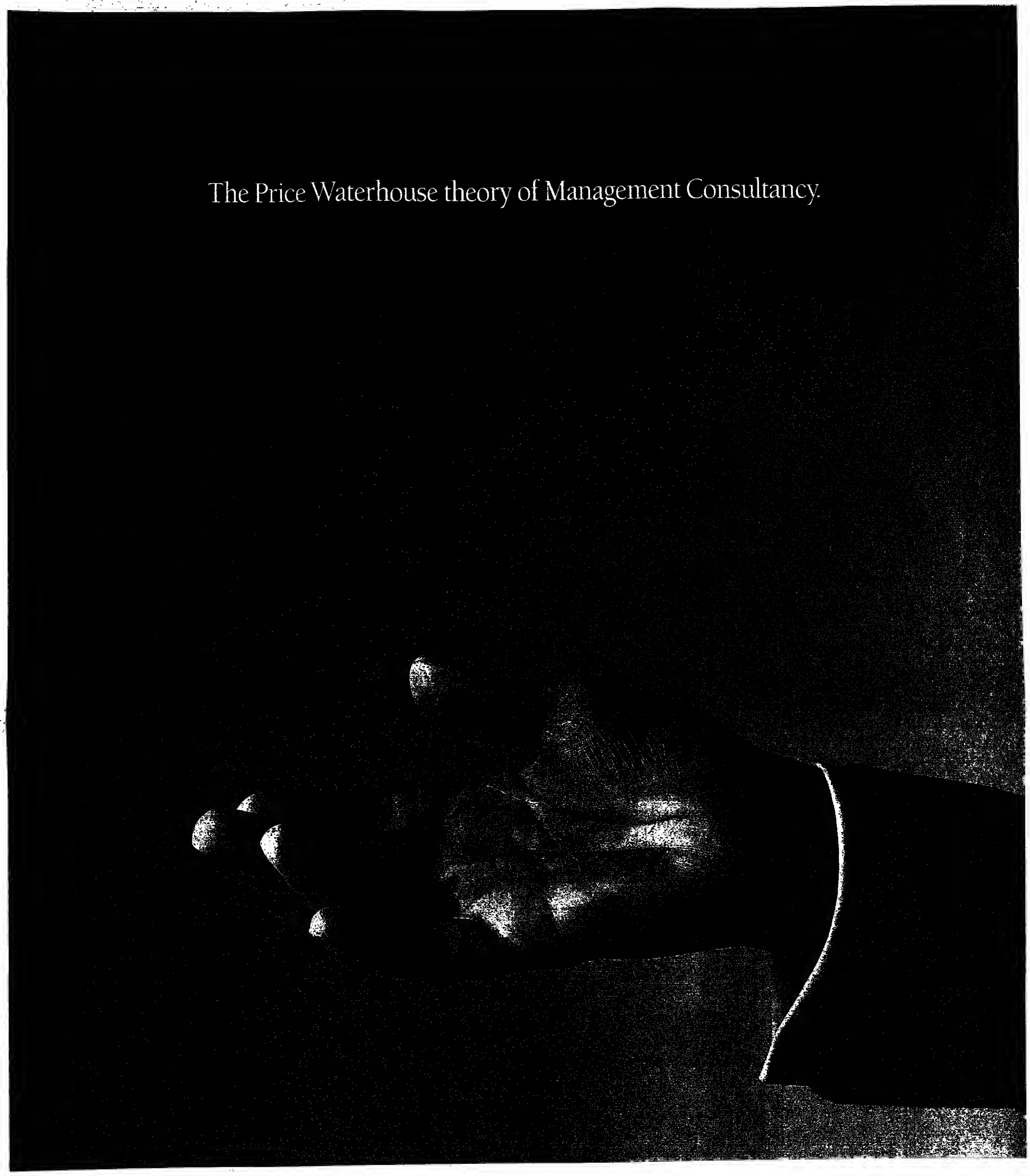
Swan's managers decided on the surprise 3.45 am launch of HMS Coventry, a frigate built to replace one lost in the Falklands, to avert possible industrial disruption. They were also worried that bad weather could affect the launch.

After the clandestine operation, Mr Alex Marsh, a director of the newly privatised yard, said: "This is just part of our determination to give our customers what they want – value for money, technically advanced ships and delivery on time."

The workers have defied national union instructions to lift the ban, caused by a pay and conditions dispute, although semiskilled workers and staff have been working normally.

Mr Alex Ferry, general secretary of the Confederation of Shipbuilding and Engineering Unions (CSEU), said he and other national officials would meet local union officials today to discuss the yard's industrial problems.

Swan has claimed that the competition for the bid is unfair while the Belfast yard has argued that its bid contains no subsidy element and is vital to maintain jobs. Since Harland's bid is made as part of a consortium, much of the work would be done on the British mainland.



History has shown that there is only one kind of solution to a problem. A solution that works.

Successful people in any walk of life will tell you that though theory is always important, there can never be a substitute for practice.

And we at Price Waterhouse are renowned for our commitment to practice. We call it getting our hands dirty. It means that when you call us in we don't just leave you with a document full of theory, however well meaning.

Instead we make sure that whatever we are recommending will actually work. To the point where, if you would like us to, we will help you implement our recommendations.

Our clients range from the largest to the smallest, in both public and private sectors. (Sometimes it is the smallest who find they need more of our time.)

We are interested in their problems, not their size.

Our expertise ranges from established areas such as Banking and Finance, Project Management, Retailing, Manufacturing and the complex world of Information Technology, to ever more important ones such as Human Resources, which embraces a breadth of disciplines from organisational development to recruitment.

In all these areas our recommendations are thorough and concise. (So are we.)

In theory, of course, we could earn our living simply by advising and not doing. In practice, we don't.

Price Waterhouse

Company Notices

F. & C. EUROPEAN FUND S.A.
société anonyme d'investissement
Registered Office: LUXEMBOURG, 14, rue Aldringen
Commercial Register: LUXEMBOURG Section B No. 21071

NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS

The Annual General Meeting of Shareholders of F. & C. EUROPEAN FUND S.A. will be held at its registered office at Luxembourg on April 17th, 1986, at 12.00 hours for the purpose of considering and voting upon the following matters: [illegible]

F. & C. ATLANTIC FUND S.A.
société anonyme d'investissement
Registered Office: LUXEMBOURG, 14, rue Aldringen
Commercial Register: LUXEMBOURG Section B No. 21071

NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS

The Annual General Meeting of Shareholders of F. & C. ATLANTIC FUND S.A. will be held at its registered office at Luxembourg on April 17th, 1986, at 11.00 hours for the purpose of considering and voting upon the following matters: [illegible]

—THE ROYAL BANK OF SCOTLAND plc, 67, Lombard Street, London EC3P 3DL
THE BOARD OF DIRECTORS

ABN Bank
ALGEMENE BANK NEDERLAND N.V.
Established in Amsterdam
(Incorporated in The Netherlands with limited liability)

[illegible]

Amsterdam, 8th April, 1986.

BRASCAN LIMITED
INTERNATIONAL DEPOSITARY RECEIPTS ISSUED BY MORGAN GUARANTY TRUST COMPANY OF NEW YORK

[illegible]

MORGAN GUARANTY TRUST COMPANY OF NEW YORK
Brussels Office, as Depositary

Legal Notices

No. 0096 of 1986
IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
IN THE MATTER OF BAIRSTOW EVES PLC
AND IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice (Chancery Division) dated 17th March 1986 confirming the reduction of the capital of the above-named Company from £3,500,000 to £1,621,362.65 and the Minute approved by the Court showing with respect to the capital of the Company as altered the several particulars required by the above-mentioned Act were registered by the Registrar of Companies on 21st March 1986.

Dated this 9th day of April 1986.
TRAVERS SMITH BRAITHWAITE,
6 Snow Hill,
London EC1A 2AL.
Solicitors for the above-named Company.

UK NEWS

Britain 'not far behind US' in market technology

By Alan Cane

THE MOST advanced City of London firms are sharpening up their communications for the Big Bang so that they get the greatest possible edge over their competitors. Britain, moreover, is by no means as far behind the US as many people think.

These two themes dominated the second and last day of a Financial Times conference in London on technology and the new securities markets.

"Information is our lifeblood," Mr Rod Sinclair, head of information technology at Barclays de Zoete Wedd, told the conference, which is examining preparations for the Big Bang on London's stock market this autumn.

Mr Sinclair said the systems now being installed in BZW's extensive London offices included the Colt trading system, the core of which had been developed in co-operation with a consortium of competitors, and Boris, an all-digital information service feeding 600 workstations.

Mr James Treybig, chief executive officer of Tandem Computers, listed the attributes of an ideal system for market-makers and salesmen. Such a system should include live information from quote vendors such as Reuters and Telerate, access to the house's own prices and on-line access to place a firm's bid and offer in the market.

From the customer's point of view, Mr M. G. Newmarch, chief executive of Prudential Portfolio Managers, said he confidently expected to buy equities more cheaply after October 27, the date for the Big Bang.

Mr Newmarch said he intended to take the Stock Exchange Automated Quotations (SEAQ) service and would receive information over Topic terminals from market-maker closed-user groups. He had already installed British Telecom's City Business System and intended

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TECHNOLOGY AND THE SECURITIES MARKETS
CONFERENCE

to have a local area network with up to 200 personal computers connected within 18 months.

Mr Robert Hayim, European director of International Banking and Investment for the computing services company I.P. Sharp, said there was a tendency to focus on the importance of computerisation for the dealer at the expense of automating risk monitoring and management control.

He emphasised the importance of accurate information, common to all trading parties in risk management: "Fewer misunderstandings and tighter controls result when everyone reads from the same book."

Dr Jeremy Bray, MP, Labour Party spokesman on science and technology, sounded a note of caution when he argued that despite vast investment in information technology the new financial markets might not be "informationally efficient."

Mr James Anderson, chairman of the board of the Cincinnati Stock Exchange, told the conference that all US exchanges were linked by a communications system called Intermarket Trading System (ITS). "Last Tuesday," he said, "Cincinnati implemented the only automated linkage between a market and other markets participating in ITS.

"This permits a Cincinnati user to enter an order in Cincinnati which will find its way within seconds, after probing the Cincinnati market, to an execution on the floor of another exchange, all on a fully automated basis."

Mr Bob Brown of Software Sciences, which is marketing the Cincinnati system in Europe, said computer-based trading had to prove itself capable of dealing with massive peak volumes.

Mr John Wolters, secretary general of the Association of International Bond Dealers (AIBD), said the association had begun a study with the US National Association of Securities Dealers (NASD) to see if it could introduce an equivalent of Nasdaq, the US model for Seaq, for the Eurobond market. The study has to be approved by the AIBD general meeting because of the sums involved.

Mr Gordon Macklin, president of the NASD, said Nasdaq had made the US over-the-counter market visible. Its volume had increased 14 times between 1975 and 1985 while the New York volume increased only three times.

Nasdaq and the London Stock Exchange would begin to exchange live quotations on April 22, he said.

● Yesterday's conference report wrongly said Tullett and Tokyo Forex International (TTFI) used a modified version in the UK of a system built by RMJ of the US. TTFI's UK system was created by the company itself. The RMJ system is used only in the US government securities market.

Mine union funds trial will be held in 1987

BY RAYMOND HUGHES, LAW CORRESPONDENT

THE LEGAL implications of the decision by the National Union of Mineworkers (NUM) to transfer £8.5m of its funds abroad shortly before the miners' strike began in March 1984 will rumble on for at least another 12 months.

The High Court in London yesterday fixed next January for the trial of a damages claim against leading officers of the union and banks involved in the transfer of funds to Ireland, Luxembourg and Switzerland.

The hearing – in which the NUM's receiver, Mr Michael Arnold, of City of London chartered accountants Arthur Young, will allege breaches of trust – is likely to last at least two months.

The case has raised a question mark over the chances of the union being freed from the receivership that has deprived it of control of its finances since December 1984 until the litigation is concluded.

It was suggested in court yesterday that the receivership might be ended, while enabling Mr Arnold to carry on the litigation. But his counsel, Mr Peter Cresswell, QC, said there was a technical problem as to whether there could legally be such a partial discharge of a receivership.

He said the union's new trustees, who included two Labour MPs, had at first said they would be ready to carry and they were put into the saddle.

Last month, however, they had told Mr Arnold that, on legal advice, they had decided the litigation should remain in his hands.

In his writ, issued last September, Mr Arnold sued, among others, the NUM's former trustees, Mr Arthur Scargill, Mr Mick McGahey and Mr Peter Heathfield, as well as the Midland Bank, Midland Bank Trust Corporation (Isle of Man), Bank of Ireland Finance Company and EBC Amro Bank – formerly the European Banking Company.

All deny the receiver's allegations that they acted in breach of trust in relation to the NUM funds that were sent abroad to thwart any sequestration order that might be made against the union during the pit strike.

The strike ended in March last year.

Sharp fall in consumer credit

BY GEORGE GRAHAM

CONSUMERS cut back sharply on their use of credit cards in February, the Department of Trade and Industry said yesterday. In total, £2.36bn of new credit was advanced by finance houses, retailers and bank credit card operations, a drop of £408m from January's level.

Advances on bank credit cards dropped to £790m in February from £1.13bn the previous month. DTI officials said, however, that this drop was normal at this time of year as consumers tend to chalk up large credit card bills in the January sales and then cut back on purchases in February.

Retailers' credit operations, however, showed a slight increase in the month, rising from £384m of new credit advanced to £392m. Observers said this lent some support to the final figures for retail sales in February, which show an increase from January's levels.

The retail sales index stood at 117.2 in February, compared with 117.0 the previous month, and sales in the three months to February showed a 1 per cent increase from the previous three months. Finance houses saw new fixed sum advances such as hire purchase agreements fall to £986m in February from £1.05bn in January. Despite the fall, the February figure was still 49 per cent higher than in February 1985.

The total of credit outstanding at the end of the month on operations by finance houses, retailers and bank credit cards rose by £202m to £21.61bn. These figures are not comparable with the previous year's figure of £17.19bn outstanding, when credit cards were not included.

Retail sales are expected to grow strongly this year as a result of increasing incomes in the private sector.

Legal Notices

GEAROSE LIMITED

NOTICE IS HEREBY GIVEN pursuant to Section 588 of the Companies Act 1985, that a Meeting of the creditors of the above-named Company will be held at the offices of Leonard Curtis & Co., situated at 30 Eastbourne Terrace (2nd Floor), London W2 6LF, on Thursday the 17th day of April, 1986 at 12.00 o'clock midday, for the purposes provided for in Sections 589 and 590.

Dated the 1st day of April, 1986.

S. MATHEOU,
Director.

SHIRE WHOLEFOODS LIMITED
Formerly Cheshire Wholefoods (Wholesale) Limited

NOTICE IS HEREBY GIVEN pursuant to Section 588 of the Companies Act 1985 that a Meeting of the Creditors of Shire Wholefoods Limited, will be held at the offices of Leonard Curtis and Partners, 3rd Floor, Peter House, Oxford Street, Manchester M1 5AB, on Wednesday the 16th day of April 1986 at 12.00 o'clock noon, for the purposes provided for in Section 589 and 590.

Dated the 2nd day of April 1986.

C. M. QUARTERMAINE,
Director.

IN THE MATTER OF VINCENT MARTELL LIMITED AND IN THE MATTER OF THE COMPANIES ACT 1948

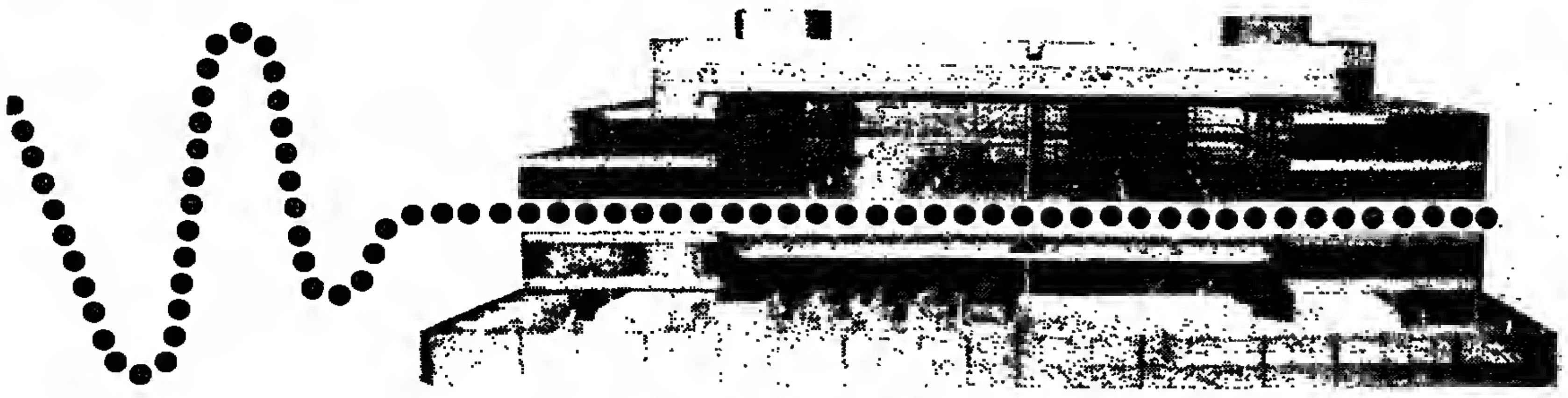
NOTICE IS HEREBY GIVEN that the creditors of the above-named Company, which is being voluntarily wound up, are required, on or before the 14th day of May, 1986, to send in their full Christian and surnames, their addresses and descriptions, full particulars of their debts or claims, and the names and addresses of their Solicitors (if any), to the undersigned Keith David Goodman, FCA, of 30 Eastbourne Terrace, London W2 6LF, the Liquidator of the said Company, and, if so required by notice in writing from the said Liquidator, are, personally or by their Solicitors, to come in and prove their debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.

Dated this 2nd day of April, 1986.

K. D. GOODMAN, FCA,
Liquidator.

Jane Rippeteau looks at the impact of automated architecture

The intelligent office building is born



Victoria Plaza, London, where Salomon Brothers is fitting out a new trading room

JOHN TISHMAN realised it was time to take his own advice.

As chairman of Tishman Realty and Construction in New York, one of the US's top builders with some $2.5bn worth of construction under management, Tishman has helped clients build "smart" offices wired up to automate everything from air conditioning to elevators. The spotlight now is on extending such intelligence to telecommunications systems, and Tishman decided that such a leap was in order for his own business.

Direct voice and data links are now in place from Tishman's New York headquarters to construction trailers on site st projects across town or across the country and, in some cases, to the desks of clients. The entire system cost $2m.

"Clients come in all the time with changes and they want to know how much they will cost," says one of Tishman's deputies. "We can take a terminal into a meeting, book it into a telephone and get feedback right there and then."

Daily—rather than monthly—cost reports are now routine, making possible up-to-the-minute checks of costs against estimates as well as historical costs. Movement of materials can be fine-tuned. Tishman's vice-president, Mark Bodner, says: "In Manhattan, where a building site is not much bigger than the building itself, you have to keep constant track," orchestrating delivery of materials to site only just as they are needed.

Tishman believes that the extent of its system is unusual in the construction industry. Many companies, indeed, may be unwilling to invest in such technology unless they can see clear cost benefits. American Express, the huge travel services firm that also includes stockbrokers Shearson Lehman Brothers, made such an analysis in planning its new state-of-the-art corporate headquarters in New York's World Financial Center.

The nature of the company's various businesses requires employees to move offices frequently, says Mino Akhtar, director of advanced technology. In conventional buildings such relocations can be costly and time-consuming, particularly if work areas have to be rewired to accommodate a computer terminal or relocate a telephone line. This can sometimes involve drilling through concrete slab floors.

In the company's present quarters, "everytime somebody moved or got a new terminal, it cost us $2,000," says Akhtar. In some parts of the business, 25 per cent of the employees relocate every year. The company also expects that the 8,000 people it is moving into its new 2m sq ft headquarters will generate a 10 to 15 per cent increase in computer terminals annually.

The cost of the new system, which the company will not reveal, will be recouped by savings over three-and-a-half years, according to Akhtar.

The ability to move people around cheaply and alter telecommunications services at the workstation is a big attraction for financial services firms in particular. In a dealing room, for instance, "people are constantly creating new products, requiring them to be near different people," says a telecommunications manager at a City firm about to move to new pre-wired premises. If every workstation is wired, adds a competitor, "you don't have to rewire because all the changes are programmed remotely. We're in a high-growth environment and have to be able to change configuration fast."

Other cost incentives may be less obvious. Hotels have leapt aboard the bandwagon of running internal telephone systems because they may be able to make money on the difference between the bulk rate they are charged by the local utility and the higher per-call rate guests now expect to have to pay, says James Llamas, vice president of Reliance Development, a New York-based property company.

Deciding in advance the extent of telecommunications wiring a building will have is not always desirable, however. It seems to work best when a single owner or tenant is involved, and particularly when the occupant-to-be is closely involved in selecting the system. Some developers hava attempted to put up "smart" buildings and then have tenants simply plug in to the offered services. The concept, called "shared tenant services," has had a mixed reception because companies move in with different needs and various amounts of their own technological "baggage."

Another pitfall is regulatory. Say a company has a roof-top satellite that can beam reams of data from headquarters computers to remote one-man offices. That means the local telephone utility is being bypassed, which could be illegal or unwelcome, depending on local regulations.

In the US, "a lot of state regulators have put on controls that crimp any entrepreneurial style," says Donna Jaegers, telecommunications securities analyst at Paine Webber. "Or they might say, 'if you put in your own system, you can't depend on us at all.' That makes a building hard to lease."

Brokers seek smart premises

OCTOBER'S "Big Bang" in London that will end fixed commissions and eliminate the split between brokers and market makers will accelerate the City's internationalisation and increase competition. City companies are therefore keen to use the latest in advanced data and voice communications.

Brokers that do not already have updated technology are scrambling for office space where they can set up "smart" premises in the hope of retaining a competitive edge.

Shearson Lehman, Security Pacific, and Hoare Govett, are working on a system that will be pre-wired into their offices being built at Broadgate, near Liverpool Street station. Salomon Brothers is fitting out a new trading room at Victoria Plaza, and Mercury International is mapping out 450 high-tech trading positions at One Finsbury Square.

Much of what the specific systems will consist of is veiled in secrecy. Upgraded, multi-function telephone systems are a big part. Mercury International, for instance, is planning a direct phone cable link between the two buildings it will occupy, and also a satellite link to New York tailored to the time of day the service is needed.

Details of data systems are harder to discover. Says one telecommunications manager: "We don't want the opposition to know what we are doing. It may be extremely useful to them . . . or they may die laughing."

The crux of the problem on the trading floor is similar for all players, though. One example offers a glimpse of the way sophisticated data communications can pay off. Generally, there are more sources of information available than any single dealer needs or can cope with on his or her desk, explains Victor Strauss, director of group finance at C&P Technology, a New York and London data communications firm specialising in financial services companies. Yet everybody needs some of that information at their fingertips at least some of the time.

The trend, then, is to supply each dealer desk with just a few screens, but ones that are multi-purpose. Market data arriving from Reuters or another information source is switched into a network that any dealer could tap and call up on his screen. This would replace a terminal dedicated solely to Reuters. On another screen, a user could call up competing data or query the company's own computer. Yet another terminal might service a personal computer allowing dealers to figure out their best trading positions, or perform other functions.

The arrangement, notes Strauss, a former trader himself, is defensive. "You don't make more money because you've got electronic information. But if you don't have it, you are exposed to somebody who does; you are buying sterling for 15 seconds longer than the other guy, and then you find out why he's selling."

Where to get a designer satellite

WHAT DOES a big time New York architectural firm have in common with a giant international computer maker?

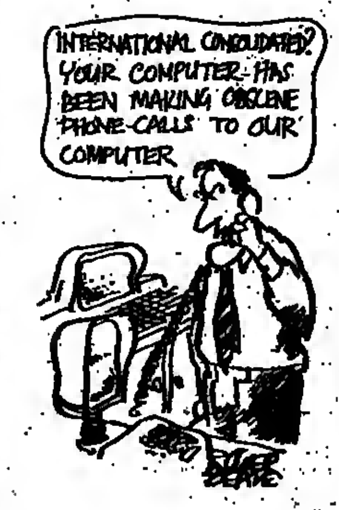
The answer is that they both want the job of planning your next automated office.

In New York, Swanke Hayden Connell Architects has catapulted itself into the top ranks of architectural firms largely through an interior design specialisation that includes layouts and planning for the "office of the future."

Arriving from a different vantage point is Honeywell. Having recently launched a new corporate unit for the purpose, it is advertising that it can answer all queries about what electronics to wire in where — and supply much of the hardware as well.

Swanke Hayden and Honeywell are among dozens of competitors anxious to tap into a nice gap in the traditional function of supplying office space. The gap stems from an insecurity many corporate clients feel over what they need in terms of office automation and how to go about planning for it. "They're all going at it a bit cautiously," says Frederick Rehkoph of Lehrer/McGovern International which, he says, is supplying construction management services to Salomon Brothers as well as to a development at London Bridge where Citicorp will have offices.

Swanke Hayden, which is involved in planning the new UK headquarters for Shearson Lehman American Express in Broadgate, a multi-building development in the City, has a whole lingo worked up for the service it provides. "We identify horizontal and vertical adjacencies . . . who will be where. We call it 'stacking'," says David Kovacevic, design director on the Shearson job.



Swanke shoulders responsibility from the start, Kovacevic explains. Months of interviews take place to sort out how the company works, who does what, who needs to sit next to whom. Of Shearson, he says: "This particular organisation moves people around a lot. It needs to be flexible. This kind of thing will drive the design."

Such things could also affect a building's structural requirements. Costs to accommodate wiring can run up to $4 a square foot more, says Charles Thornton, president of Lev Zetlin Associates, a consulting engineering firm in New York currently involved with plans at the World Bank in Washington.

And what if you're going to want a satellite on the roof? Tell your architect early on, suggests Eugene Kohn of Kohn Pedersen Fox in New York. It must be designed-in "to give a good image to the building."

Training managers to handle an unpredictable future

William Dullforce on a radical approach to executive education

HOW DO you train managers to make the best of an unpredictable future? The answer, the International Management Institute in Geneva has concluded, is to develop a radical "integrative" approach to management training.

IMI celebrates its 40th birthday this year, when it will be taken over by a young director, Professor Juan Rada. In late 1984 it asked a commission drawn from its foundation board and larger corporate clients to advise it on how to meet the challenges to management education during the rest of the century.

One immediate challenge is the current excess capacity on courses offering MBA degrees. Business schools face growing competition from in-company and ad hoc training schemes and from seminars whose themes often cover management functions.

The commission's report, published by IMI in abbreviated form, not surprisingly finds that many training practices are obsolete or inadequate. Less predictably the commission decided that the pace of developments affecting multinational companies was accelerating so fast that the crucial changes with which managers will have to cope were simply not predictable.

Rada cites many factors contributing to this acceleration. They include the convergence of technologies, which were unrelated in the past, in such areas as information technology, biogenetics and new composite materials. Product cycles are shortening.

The globalisation of business generates swifter worldwide chain reactions. Modern telecommunications allow services to be transported on a massive scale. The combination of technical advances and deregulation of financial markets is creating a different environment for top management.

THE International Management Institute on the outskirts of Geneva is an independent non-profit training institution backed by some 60 stakeholders or associate corporations based in 19 countries.

Associated with the University of Geneva, it runs a nine-month MBA course for younger managers and has shorter programmes for board members and senior executives. It trains about 800 students annually.

Its present director is Dr Bohdan Hawrylyshyn. The director designate is Professor Juan Rada.

The commission's profile of the future effective manager puts stress on flexibility, on openness to new ideas and a willingness to question. The concept is far removed from the NIH (not invented here) syndrome which in the past tended to keep managers uninterested in anything done outside their company and its product sector, says Rada.

The future manager will have to reconcile the countless demands of a fast changing environment with business performance. The institute, the commission says, needs to respond to this tension between vision and results, to train managers able to integrate a broad understanding of the world environment with daily operational imperatives.

How? Not with the old training methods, the commission argues. Too much past teaching has been oriented towards analysis, accumulation of knowledge and diffusion of information in a fragmented manner. It has been too deeply rooted in a cause-and-effect type of analysis. It lacked feel for the subjective or emotional elements in decision taking.

The conventional case studies widespread in management training are no longer adequate, Rada claims. They reflect past experience, do not necessarily help students to identify problems because they are based on data selected by the case writer and, while they give some input for decision making, they do not provide the broader context to which managers have to respond in reality.

Current methods underrate creativity and are sometimes too technocratic to stimulate innovative thinking, the commission finds. It admits that it remains to be seen whether the entrepreneurial instinct or creative drive can be learned.

Perhaps because IMI does not wish to place all its cards on the table for competing institutions to read, it is not very explicit about the remedies it proposes to apply in its own house.

One new tool already under development is its information files, alternatively described as diagnostic packages, which will serve as a basis for the more integrated teaching IMI will attempt. The files cover three levels—the company, its operating sector and the broader environment—among which disciplines such as strategy, marketing, finance and accounting have to function.

IMI is investing in new research facilities and communication equipment in the belief that training may in future involve more frequent movement for students between the workplace and the institute.

Its programme is extremely ambitious—to combine "functional depth and managerial breadth"; to produce managers with "an in-built early-warning system" or "intuitive discomfort"; to inculcate "the art and courage to manage." But IMI's 60 corporate stakeholders appear to be ready to let Rada chance his arm.

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You will be asked for your name, address and the type of tape you require and confirmation that you are a Distillers or Guinness shareholder. A tape will then be sent to you as quickly as possible.

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THE ARTS

Television/Christopher Dunkley

International accent on rhubarb in Venice

If a programme has lots of scenes shot in Venice, a mixture of English and American accents, and the production credits take more than four minutes to go past no matter how fast they run the roller, it is odds on that the primary motive behind the programme was not a deep desire to tell a story, but a deep desire to make some money. That is as close as I can get to a rule for the increasing number of "multinational" programmes that we see on our screens. Even then "primary" is a bit of a weasel word: Shakespeare and Mozart seem to have worked primarily for money.

Money alone would probably not have brought about the changes that we are seeing in programme production; they stem also from changes in television technology and in the administrative structure of broadcasting. Yet it is surely above all, the question of costs which is ensuring that more and more programmes have international casts and international financing. Obviously the hope is that they will also have international appeal.

A.D. — Anno Domini: "Mutton stoo with 'erbs and wine"

A lot of producers are finding that the only way they can afford star names, exotic locations, and high production values generally, is to set up international co-productions, or at least raise money in advance from several different countries, which may not be quite the same thing, as the BBC would certainly claim for *Origins*, for instance.

Origins was the two-hour programme in which Jonathan Miller endeavoured to explain the meaning of everything (though for me, a convinced agnostic, he succeeded mainly in raising the question: who lit the blue touch paper to let off the Big Bang?). I watched *Origins* without consulting the publicity material and wondered why it had been made as an indigestible two-hour slab instead of a more easily assimilated series of half-hour programmes, and why we hopped about to quite so many places for quite such brief sequences — a snatch of conversation with a Japanese professor on a balcony comes to mind.

The publicity material reveals all: "The programme is one of the BBC's most ambitious co-productions, yet in cash terms it cost the BBC nothing . . . the cash in our budget was more than covered by contributions from co-producers. . . . The production was organised so that the specific needs of different broadcasters and their audiences could be met without compromising the BBC version."

Hmm. It may be that all that continent-hopping would have occurred even if American, German, Italian, Japanese, Dutch, Swedish and Finnish co-producers were not involved. I wonder. But you might argue anyway that a touch of Japanese or Swedish interest is a cheap price for British audiences to pay for "free" programmes. The fact is that the BBC, thanks to its history, reputation and size, is in a very strong position to drive hard bargains with co-producers and to insist on largely retaining editorial control.

The same cannot be said for everybody else. In most co-productions the necessary compromises result in programmes which lack the strength, flavour and character of pure national products. On the rare occasion when a co-producer has the courage merely to contribute money and allow the prime mover to get on with it, the results can be outstanding. Channel 4 put money into *Octopus* and, as I understand it, left the Italians to their own devices. The result was an abnormally powerful drama series with no sense of concessions made for international appeal.

But that is true of pitifully few of the other international programmes now regularly reaching our screens. *Deceptions* recently took Stephanie Powers not merely to Venice but to Venice in carnival time. Accents were mixed, credits were numerous, standards were mediocre.

Last night saw the start of *Marco Polo* on Channel 4, an eight-part costume drama with episode one set, naturally, in Venice. *TV Times* describes it as an "American mini-series." *C4's* own publicity calls it "a spectacular multinational drama series." Actors in the opening episode included such utterly British figures as Denholm Elliott (in a topknot as Niccolo Polo), David Warner in a scraggly beard, and Patrick Mower as a nasty Jesuit. The production company is actually RAI—Italy's state broadcasting company.

To the viewer none of that matters if the result is good television. Unfortunately, the result in this case is pretty ghastly. Not only do the younger members of the cast look as though they have been plucked straight off an American college campus, but the language is ludicrously anachronistic. "So her mother's a courtesan. Half the women in Venice are on the game. Listen Marco . . ." says one young man in tones straight out of *Kojak*.

Many of these international co-productions are historical costume dramas, and the business of accents is a touchy but vital one. It is inherently no more absurd for a 13th century Venetian to speak in the accents of the Bronx than in those of Cheltenham. Yet Americans themselves, particularly Anglophiles, tend to be among the first to cringe on such occasions.

In that great tradition of Biblical blockbusters with fatuously explanatory titles (*Moses The Lawgiver*, avoiding confusion presumably with *Moses The Traffic Warden*, and *Jesus of Nazareth* to distinguish him from *Jesus of Neasden*) we are currently enjoying *AD—Anno Domini* (as distinct from *AD—Awfully Dull*) and here we had Mary drooling about her son's favourite dish: "Mutton stoo with 'erbs and a little wine." If delivered within a context of all-American accents that might not be too jarring, but when you have the Home Counties English of James Mason in the role of Tiberius, it does pull you up short. The huge budget behind this multinational production—$20m it is said—has meant wonderful location pictures, but unfortunately the story, which is rather a good one, has been ruined.

Yet the outlook for international co-productions is not entirely gloomy. The Americans may yet save the day. Traditionally, American programmes have been made by independent production companies and sold to one of the big three networks: ABC, CBS and NBC. For US producers American audiences have been the only consideration—though the widely disparate origins of America's immigrant population have ensured that most programmes popular throughout the US also prove popular globally.

Now, thanks to satellite and cable, new forces are emerging: Home Box Office, for instance, and Turner Broadcasting, whose audiences do not match those of the Big Three. They are interested in the quality of the creative input available from Europe and — thanks to the common language — especially from Britain. The result can be a turning of the tables: instead of *I Love Lucy* being made expressly for the American market and the rest of the world taking it on American terms, the new companies are willing to put money into programmes which are made, largely, on British terms though they will also be shown in the US.

Last week's TV movie on Channel 4, *Murrow*—an excellent piece of work not simply as biography but in its exemplification of the awful editorial dilemmas of television journalism—may have looked wholly American, but was actually made by TVS of Southampton (one of the middle-sized ITV companies) with co-production money from Titus Productions, and shown first in the US, not by any of the big three networks but by HBO. Turner Broadcasting, which runs the 24-hour news network CNN, is in the process of co-producing a whole list of programmes with the BBC, ranging from next month's *Burketown Bash*, about a wild motor race in Australia, to the ultra-serious annual *Global Report*.

Multinational production is clearly one of television's chief growth areas, but it does not *have* to consist entirely of actors milling around St. Mark's Square muttering "Rhubarb" in seven different accents.

Patricia Rozario/Purcell Room

Richard Fairman

The songs of Ivor Gurney have fallen on more receptive ears of late. Unstudied and easily attractive, these pieces are good examples of the homely tradition in English music between the wars and at their best, as in the *Five Elizabethan Songs*, show the composer in his most sensitive, rhapsodic vein.

Their dreamy beauty can be hard to beat. Patricia Rozario chose this cycle as the centrepiece of her recital at the Purcell Room on Monday and placed it cannily after the interval, when the listener is ready to relax and least likely to complain about any lack of musical substance. In "Sleep," one of Gurney's finest songs, the lullaby's rocking chords and the singer's soothing tone made a hypnotic combination, impossible to resist.

By this point the vocal pleasures of the evening had already been displayed in full. Patricia Rozario is gifted with a voice of velvet smoothness: she can make the most lovely effect with just one note, as in the first note of Schubert's "Nacht und Traume," which hung suspended in the air; and when she has more, as in the long lines of Mahler's *Ruckert Lieder*, she can spin the sounds together with effortless musicality.

With phrases such as these her handling of tone colour and words is wholly scrupulous. (In this, if little else, one is reminded of another conscientious soprano, Margaret Price). But there are times when all this accomplishment is not enough: an opening Mozart group lacked variety and there was a tendency for too many songs to sound like their neighbours. The humourous items, whether by Mozart, Schubert or Mahler, quite failed to raise a smile.

The last Spanish group touched in a few more colours. Even here fire was lacking—the vengeful "Polo" of Falla hardly bared its teeth—but the dusky, sensuous tang of Rozario's low notes is heard to good effect in this repertoire and her pianist, Mark Troop, gave her well-balanced support. The tiny lullaby "Nana" was pure vocal magic and she must certainly sing it again next time.

Starker/St John's, Smith Square

Dominic Gill

Of all cellists, after Casals, it was the American-Hungarian Janos Starker who made the deepest impression on me during my first explorations of the world of records in the 1950s — and I still listen to his early recordings of the Bach Suites, rich, raw and lyrical, with unfaded pleasure.

He played no Bach at his short BBC lunchtime recital on Monday, but his programme was nonetheless a familiar selection: it was one of Starker's records which introduced me to the Debussy sonata—the bloom and elegance of the sonority, and the easy roundness of the phrasing, are still as instantly engaging as they ever were.

He made something unexpectedly dark and ruminative out of Bartok's Rhapsody No 1 (the original Rhapsodies are both for violin and piano, but Bartok later made a version of the first for cello)—cast with shadows, muted colours, lit only occasionally with delicate tongues of fire. His pianist was the Frenchman Alain Planes, who joined with him exuberantly in Beethoven's third cello sonata in A major: a fine, broadly expansive account in which Starker exploited (but subtly, without ostentation) the whole range of his orchestral palette from the gravely sonorous to the brightly, whimsically eloquent.

Flight/The Other Place

Martin Hoyle

The Royal Shakespeare Company opens its 1986 Stratford season not at its main theatre but in The Other Place, the (in many senses) glorified outbuilding where unseasonable rain and wind provided an incongruous descant to David Lan's study of three generations of a Jewish family in southern Africa.

We meet the Levines at Passover in 1952. Despite the setting of Salisbury, Rhodesia, we are in Wesker territory. The warm-hearted humour of shrugging self-deprecation is epitomised by Joe Melia's philosophical Isaac, a brilliant book-keeper whose easy indifference to material success riles both Hannah (Dinah Stabb) and their son Mike (Nicholas Woodeson).

Nicholas Woodeson and Joe Melia in "Flight"

The years pass to the sound of Eve Boswell and Rosemary Clooney; the familiar reaction of son against father sets in. Mike prospers with his own chain of jewellery shops. Hannah dislikes her bossily acquisitive daughter-in-law. Radical Aunt Lily bitterly regrets the past and sees the ghost of Gideon, the heroic activist who should have escaped from Lithuania in 1930 on Lily's ticket but for the terrible bond of family, that kept her with her sister and brother-in-law. The same bond later forces her to renounce plans for a black school in order to help the family business out of criminal proceedings.

So far the play has touched on such engrossing issues as the relation of one generation to its predecessor, the demands of blood ties and, above all, the great paradox of Jewishness: the geographical rootlessness and the unwavering solid cultural foundation.

The final section depicts the dilemma of Paul, Mike's son. The archetypal young Rhodesian, physically superb, by 1976 in military uniform, one of the "our boys on the border." Here Mr Lan's writing becomes wildly over protracted and portentous. As the family glowers ferociously, Paul does anguished press-ups and sprints compulsively round the stage (when not emitting bellows of incoherent agony and frolicking with his mother in near-incestuous intimacy). Old Isaac looks quizzical, radical Auntie Lily is more oracular than ever and the play verges on the unintentionally comic—an effect not helped by Howard Davies's direction.

South African born Mr Lan's best known play is *Sergeant Ola and his Followers*, produced at the Royal Court in 1979. Numerous ideas need disciplining, though the Jewish perspective on the agonies of Africa could be fascinating. The final scene shows Mike and his wife preparing to leave the new Harare for Cape Town. Lily remains, redeeming that early betrayal in Lithuania. The play ends as it began, with the Passover, and Isaac intones the prayer "In the year to come may we be free."

The failure to knit together the play's strands is disguised by fine performances. Joe Melia's genial patriarch can show anger behind the amiability, hardness in the eyes. Geraldine Fitzgerald as the daughter-in-law would make a marvellous Natasha in *The Three Sisters*: domineering, fussy, insecure but oddly forgivable. Max Gold, rigid with intensity as the young white tortured by incoherent conscience, and Gillian Barge, touching as Lily, stand out.

Relatively Speaking/ Greenwich

Anthony Curtis

Some plays simply demand to be revived, they have so much theatrical energy stored up in them. One such is Ayckbourn's *Relatively Speaking*, now 20 years on from the days when the likes of Michael Hordern and Celia Johnson disported themselves through it in the West End. It has been places since then, with productions all over the world, Prague, Belgrade and so on, triumphantly surmounting the language barrier; now it has come home to roost at Greenwich.

The production is sponsored by Prudential which has meant that no expense has been spared on the setting, a crucial item in this comedy. It has to change from Ginny's secretarial bed in London, with a well-sprung bed clearly visible upstage right, to the terrace of Philip and Sheila's affluent house in the country with a mature well-tended garden; the first symbolises swinging youth and callow freedom, the latter the long haul of marriage and the comfortable constrictions imposed by habit. Glenn Willoughby has conjured both these environments to perfection.

A typical quartet of the mid-1960s shuttle from one to the other in a morass of self-induced misunderstanding. A plump, pretty, bird-brained girl in the days just before women's lib had taken off, her gauche boy-friend, her well-preserved boss (with whom she has been conducting a secret affair) and his green-fingered, church-going, childless wife. The young couple were played by Michael Simkins and Felicity Dean, both new names to me. They attacked the difficult opening scene, where the extent of the girl's cheating slowly dawns on the audience and the essential misconception that she is going to see her parents for the weekend is established, with spasms of nervousness not wholly derived from the text.

Once we had got over that however, and were in the safe professional hands of Michael Aldridge and Gwen Watford, breakfasting out of doors on a fine leisurely morning, and sniping at each other behind a camouflage of politeness across the toast-rack, we were in clearer water for the rest of the evening.

At any moment the audience feels that the tiniest puff of common sense will blow away the whole house of cards, but each of the four characters is so intent on assigning to the others the false roles which their private obsession has assigned them, that this never happens. Instead the misunderstandings multiply in brilliant passages of self-perpetuation. The accompanying laughter throughout was appreciative of the author's untiring subtleties in exploiting so slender a premise; indeed, the whole evening was thoroughly enjoyable.

Relatively speaking: Gwen Watford and Michael Aldridge

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

April 4-10

Theatre

NEW YORK

Cats (Winter Garden): Still a sellout, Trevor Nunn's production of T. S. Eliot's children's poetry set to trendy music is visually startling and choreographically feline, but classic only in the sense of a rather staid and overblown idea of theatricality. (239 6262).

42nd Street (Majestic): An immodest celebration of the heyday of Broadway in the '30s incorporates gems from the original film like Shuffle Off To Buffalo with the appropriately brash and leggy hoofing by a large chorus line. (977 9020).

Brighton Beach Memoirs (46th St): The first instalment of Neil Simon's mix of memories and jokes focuses on a Depression-era Jewish household where young Eugene falls awkwardly in love with his cousin. (221 1211).

A Chorus Line (Shubert): The longest-running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions. (239 6200).

La Cage aux Folles (Palace): With some tuneful Jerry Herman songs, Harvey Fierstein's adaptation of the French film manages, barely, to capture the feel of the sweet and hilarious original between high-kicking and gaudy chorus numbers. (757 2626).

I'm Not Rappaport (Booth): In moving to Broadway, Herb Gardner's touching, funny and invigorating play about two oldsters retains its stars, Judd Hirsch and Cleavon Little, who almost conquer the world when they think they are just bickering with each other. (239 6200).

Big River (O'Neill): Roger Miller's music rescues this sedentary version of Huck Finn's adventures down the Mississippi, which walked off with many 1985 Tony awards almost by default. (246 0220).

Philadelphia Story (Arena): Elinor Renfield, who last directed Peter Nichols's Passion Play here, takes on the Philip Barry American classic about a headstrong debutante whose society wedding draws the press to gawk. (488 3300).

CHICAGO

Happy Days (Goodman): The Goodman company celebrates Samuel Beckett's 80th birthday with the playwright's bleak view of the world, interpreted by the Romanian-born director, Andrei Belgrader. Ends May 11. (443 3800)

LONDON

Lend Me A Tenor (Globe): Fresh and inventive operatic farce by new American author Ken Ludwig set in Cleveland, Ohio in 1934. Dennis Lawson and Jan Francis lead an energetic company in mistaken identity romp, while Verdi's Otello carries on regardless. (437 1592)

Rowan Atkinson (Shaftesbury): New revue starring rubber-limbed clown with a strong line in scatological satire and rude sketches, many of them reflecting British classroom tyrannies. (379 5399)

Blithe Spirit (Vaudeville): Excellent revival of Noël Coward's smart comedy about a novelist harassed by his second wife and haunted by his first. Pinter's Old Times owes a lot to this play, well directed by Peter Farago, acted without undue Cowardian reverence by Simon Cadell, Joanna Lumley and the alabaster beautiful Jane Asher. (836 9987)

When We Are Married (Whitehall): Matchless comic playing from an all star cast in Priestley's comic warhouse about silver wedding anniversaries undermined by an inconvenient revelation. Bill Fraser is a drunken Falstaffian photographer and the couples are led by Timothy West and Prunella Scales. The 1930 theatre has been beautifully renovated. (930 7765).

Café Puccini (Wyndham's): Puccini compilation show by Robin Ray that deteriorates rapidly from a good idea – writers singing hits back at the maestro customer – to a routine potted biography with trying new lyrics and uneven singing. (836 3028)

The Scarlet Pimpernel (Her Majesty's): Donald Sinden in resplendent plummy voiced form as Baroness Orczy's one-man resistance movement to the French Revolution. Opera director Nicholas Hytner's efficient and sparkish production has smoke, tumbrils, rat stew and rolling heads. (930 4025).

Interpreters (Queen's): Love among the diplomats, according to Ronald Harwood has a superb role for the matchless Maggie Smith renewing a cross-cultural affair with Edward Fox in the shadow of a summit between The Soviet Union and Britain. Fluent direction by Peter Yates of the West End's best new play of the year. (734 1166).

Lennon (Astoria): A not too critical celebration of the life and music of John Lennon that is enjoyable especially for the musical resourcefulness of the cast and Mark McGann's Lennon look-and-sound-alike. (734 4287).

Are You Lonesome Tonight? (Phoenix): More musical hagiography with Alan Bleasdale's Elvis Presley show using flashback and excellent live recreations of the rock and roll hits to explain how Martin Shaw's magnificently wrecked and flabby King in crushed velvet jumpsuit has reached this pretty pass. Exploitative, but not strictly for tourists. (836 2294).

Les Misérables (Palace): Notably well sung and spectacularly produced rock opera from the Nickleby and Cats team of Trevor Nunn, designer John Napier and lighting man David Hersey, Colm Wilkinson superb as Jean Valjean. A melodramatic distillation of Hugo, and none the worse for that. The French score is rousingly melodic, with serviceable new lyrics from Herbert Kretzmer. (437 6834)

As You Like It (Barbican): Much improved since last year's Stratford-upon-Avon season, Adrian Noble's loosely Edwardian production now emerges as a secret-garden adventure where Rosalind (Juliet Stevenson) has the sisterly devotion of Celia (Fiona Shaw) threatened by Orlando (Hilton McRae). A superb Jacques from Alan Rickman. The RSC Barbican repertoire also includes a fine Othello with Ben Kingsley and, in The Pit, Christopher Hampton's absolutely breathtaking, unmissable version of Les Liaisons Dangereuses (628 8795).

Noises Off (Savoy): The funniest play for years in London, now with an improved third act. Michael Blakemore's brilliant direction of backstage shenanigans on tour with a third-rate farce is a key factor. (836 8888).

Starlight Express (Apollo Victoria): Andrew Lloyd Webber's rollerskating folly has 10 minutes of Spielberg movie magic, an exciting first half and a dwindling reliance on indiscriminate rushing around. Disneyland, Star Wars and Cats are all influences. Pastiche score nods towards rock, country and hot gospel. No child is known to have asked for his money back. (834 6184).

42nd Street (Drury Lane): No British equivalent has been found for New York's Jerry Orbach, but David Merrick's tap-dancing extravaganza has been rapturously received. (836 8108).

Guys and Dolls (Prince of Wales): The 1982 National Theatre production. Richard Eyre's production and John Gunter's affectionately lavish designs complement this most joyful and literate of musicals, a fitting tribute to the recently deceased co-librettist Abe Burrows (930 8681).

Torch Song Trilogy (Albery): Antony Sher plays Harvey Fierstein's four-hour triptych of the life and loves of a drag queen fighting for emotional and domestic stability. Truthful playing has the effect of cruelly exposing Fierstein's tackily uneven writing. (836 3878).

Saleroom/Antony Thorncroft

Vasari's raw data

An important item for art historians came under the hammer at Christie's yesterday—a list of names and dates of artists and architects in the hand of the celebrated Giorgio Vasari, whose famous work, "Lives of the Artists," published in 1550, entitles him to be considered as the first noteworthy art historian.

The list mentions artists from Masaccio to Andrea del Sarto and was obviously part of the raw data Vasari was assembling for his masterpiece. On the other side of the paper is a pen and ink drawing by Vasari which has been designated as portraying Cosimo I de Medici as an allegory of patronage of the arts. The page was bought by the Boston dealer Arts Libri for £32,400, at the top estimate.

A grisaille drawing, in oil on paper, depicting a night scene of courtiers at a musical party, perhaps a wedding, attributed to Niccolo Dell'Abbate, was bought by the London dealer Colnaghi for £37,040, against a £8,000 top estimate. Dell'Abbate is known to have visited the court at Fontainebleau and this link obviously intensified demand for the drawing.

An anonymous bidder paid the same sum of £41,040 for a drawing of a boy by Giovanni Battista Tiepolo, in red and white chalk on blue paper and 291 x 227 mm in size. Arts Libri also acquired a drawing of a large tree by Annibale Carracci for £28,080. A drawing of Ceres and Proserpine by Hendrik de Clerk, sent for sale by Lady Diana Cooper, sold for £14,640, as against a £3,000 top estimate, a good indication of the continuing strength of demand for Old Master drawings in recent years.

A Regency gilt bronze automaton clock containing a singing bird, which had belonged to Sir Charles Clore, sold for £5,500 at Phillips yesterday to Garrard. An early 18th century bracket clock by Daniel Quare of London made £12,000 to the London dealer R. A. Lee, and a slightly earlier longcase clock by Quare went for £11,000.

A 17th century German executioner's sword sold for £3,600 at the first day of a two-day sale of the remaining contents of Thame Park, Thame, the former home of the industrialist Sir Frank Bowden.

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BRACKEN HOUSE, CANNON STREET, LONDON EC4P 4BY
Telegrams: Finantimo, London PS4. Telex: 8954871
Telephone: 01-248 8000

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Rose-tinted summitry

THE MEETING of the IMF interim committee today has an important task: to wipe away some of the complacency which seems to be the greatest danger facing the seven-power economic summit in Tokyo next month. The great merit of the IMF, despite all the criticisms often aimed at it from client countries, is that it takes a genuine world view, and is now vividly aware of the growing difficulties facing many developing countries.

This should be a valuable corrective to any reflected glow from the financial markets about prospects for growth and financial stability in the industrialised market economies represented in Tokyo.

The IMF's latest world growth forecasts, published this week, can hardly be called gloomy, but they offer a cure for euphoria. They are a reminder that the fall in oil and commodity prices which are regarded in the West as a non-inflationary growth stimulus has resulted from recessionary forces already active in the world economy. They conclude that this stimulus—which is in any event a one-shot affair—will do no more than hold the world economy on its previous growth path.

The forecasts are no improvement globally on those published at the same time last year.

Panic

This would hardly be a satisfactory picture were growth evenly spread, and the world's major economies in balance. In fact, of course, there are some very disturbing features—falling per capita incomes in many developing countries, renewed difficulties with debt for the oil producers, and in the developed world the insidious threat of the enormous US current account deficit.

Some relief on all these fronts can be expected if the summit can achieve what is one of its priority aims—a co-ordinated cut in world interest rates; but this will only buy more time to tackle the imbalances elsewhere.

The dilemma is at least straightforward. The dollar's devaluation, which has so far only restored the competitive position of about 1982, still requires to go further, and will in any case only help to correct the current account deficit after what will probably be a long time lag. US analysts have woken up to this fact rather belatedly, but their doubts help to account for the much more subdued mood in Wall Street. Yet if this mood spreads to dollar holders, the devaluation could turn into a panic.

Priorities

This danger can be met only by a programme to correct the current account deficit, over a period of perhaps five years. Given the underlying deterioration of the US invisible account, this will imply a reduction in net US merchandise demand of some $30-40bn in each of the next five years. This reduction in demand, as well as the pressure on profit margins which will result from further dollar declines, will need to be offset if the correction is not to be deflationary on a world scale.

It seems highly unlikely that falling interest rates will achieve the correction on their own; real interest rates, indeed, have been edging up rather than falling. Effective action to support and enlarge the Baker plan to restore growth in the developing countries would be a desirable route, but again the impact on world growth of any likely action will be marginal.

The Americans, in short, would be right to press their trade partners on the question of their own growth policies, as Mr Paul Volcker has consistently argued. The Administration's views are harder to read.

Fortunately, perhaps, the general disappointment at the Japanese package announced this week may help to promote growth on the summit agenda; for the Japanese case makes it clear that the ostensible priorities for trade and exchange rate progress cannot be isolated from the question of restoring more balanced growth. Mr James Baker appears to have grasped this point, and is reported to be ready to press for stronger measures of economic policy co-ordination.

If he convinces his partners, this will be a summit of genuine achievement. If he fails, the uncertainty which is now beginning to threaten the promise of modest growth is likely to grow.

Avoiding the yob society

EDUCATION has reached the top of the British political agenda, and some people will say about time too. A country that is attempting to halt and then reverse its long-term relative economic decline must at least wonder whether poor—or at best uneven—educational standards have had something to do with it.

Like many British developments, the education debate has come about somewhat fortuitously. Mr James Callaghan attempted to start it when he was Prime Minister in the late 1970s, but failed to get very far. It has taken the teachers' dispute, which has now been going on for more than a year, to bring it to a head. The situation has deteriorated to the point where Mr Chris Patten, the Minister of State, said in a speech last week that unless the country sorts out soon the way it organises, delivers and pays for education in Britain it will risk "the creation of a yob society and an impoverished culture." The yob society may not be all that far off, at least in parts of the country.

Respite

Mr Patten also pointed out, however, that there is now a period of relative calm in which to take stock. The teachers' dispute has been referred to Acas, the advisory, conciliation and arbitration service, which is due to report on teachers' pay and conditions around the end of the summer term. Sir Keith Joseph, the Education Secretary, has recently shown a fresh determination that the new General Certificate of Secondary Education examination will go ahead in 1988, which means that the teaching for it will have to begin in autumn this year.

Moreover, some of the Government's more radical ideas for reform—such as the introduction of a voucher system to allow parents to choose their children's school, or the re-introduction of direct grant schools—seem unlikely to be launched before the next Conservative Party election manifesto.

All that is to the good: there could be a period of respite while the teachers' dispute is resolved, then a return to normal and time to think about the future.

Time is very important. Too many of the experiments in British education have been too short-lived to have been fully tested. The secondary modern schools were abandoned before they had had a chance to prove themselves. The direct grant schools were abolished in the expectation that many of them would go comprehensive. Instead the great majority went independent, thus increasing the private sector of education overnight.

The minimum of time needed for a system to be tried is about 15 years—from a child entering school around the age of five and coming out in late teens. That means the country should be thinking now about the pupils who will be leaving school after the year 2000.

Standards

It also means seeking the widest possible measure of consensus. There is no point in introducing reforms that will be chopped and changed by successive governments. Finally, it means looking at the system as a whole: from the nursery schools to the universities and polytechnics.

Oddly enough, there is probably more consensus than meets the eye. The overriding aim is to raise standards and to do so primarily within the state system. (Sir Keith left no doubt about his commitment to the central role of the state sector in his remarks to the House of Commons Select Committee yesterday.) There is also widespread agreement that it is the primary schools that matter most because if children do not take to learning young they may never take to it at all.

The disagreements are about how the aims can be achieved. Yet if the teachers' dispute can be resolved and morale restored to the profession, it should be possible to re-establish a partnership between the teachers, the parents, the local authorities and central government. The debate can then continue in a more civilised manner.

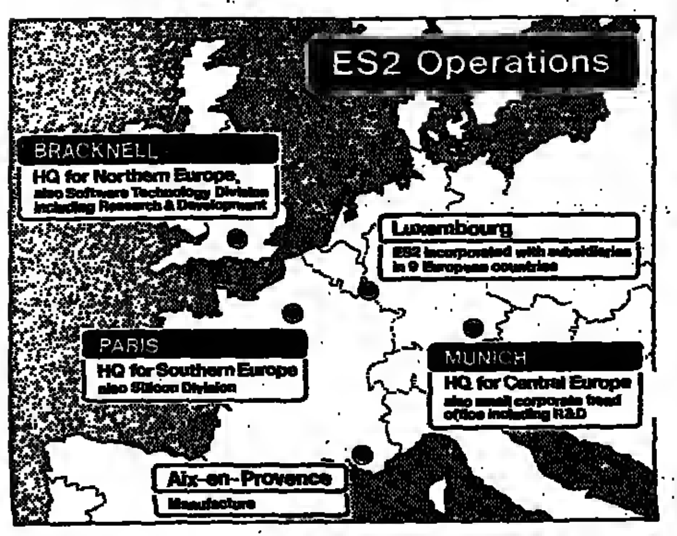
Lastly, there is Sir Keith's position as a minister who will not be standing at the next election. He has been in many ways an admirable secretary of state, raising the questions now so heatedly debated. There is no reason why he should not remain in office for another year or so. What would be intolerable would be repeated rumours that he is about to be replaced. Mrs Thatcher should make her intentions clear.

INDUSTRIAL CO-OPERATION

A Eurocompany takes wing

Hazel Duffy charts the birth of a new challenger in the world semi-conductor market

Mr Robert Heikes—confident that the prophets of gloom will be proved wrong.



Mr Robb Wilmot—remembers sleepless nights finding investors last year.

"IF ES2 fails, then it will be a failure for the European Community because it would mean that it was impossible to create a European company," says Mr Michael Carpentier, director general of the European Commission's Task Force which is charged with improving EEC competitiveness in the new technologies.

Nobody at European Silicon Structures (ES2) lets the word failure pass his lips—" high risk venture," yes, but for a company born officially last December with an abundance of good omens, thoughts at the moment are concentrated on success.

Carpentier's remark, however, is a measure of the hopes being pinned on the infant prodigy. At this early stage, the hope is for nothing less than a double first: to prove that it is possible to overcome Europe's national trade barriers by building a "pan-European" company from scratch, and to provide a European alternative—albeit in a small section of the market—to the dominant Japanese and US manufacturers in the vitally important semi-conductor market.

The market identified by those who set up ES2 is that for custom-designed chips—too small, too unprofitable for the big volume commodity chip producers to bother about much so long as they use conventional technology methods of production. But, say ES2's founders, 90 per cent of the European need for chips is for volumes below 10,000—which they have termed the "90/10" principle.

ES2 will be able to provide a fast customised service by using two techniques. First, it will use what is known as a silicon compiler—a computer software system which cuts design times dramatically, and second, electron beam lithography which permits chips to be produced by direct writing, eliminating the costly and time-consuming process of producing a mask for etching the silicon.

The target is to secure 20 per cent of the European market within five years—5 per cent of the world market for full custom chips of compiled or automated design. That would be equal to sales of about $100m. By 1988, ES2 will be profitable on projected sales of $25m if everything goes according to plan, and two to three years later it should be ready for a public flotation.

Mr Robb Wilmot, former head of ICL and non-executive co-chairman of ES2, is fairly relaxed about the prospects now the financing of the company is in place. But he recalls "a lot of sleepless nights" last year when he and his colleagues were selling those prospects to potential investors.

The story goes back to November 1984 when Mr Robert Heikes, formerly European vice president of National Semiconductor and now the other co-chairman of ES2, approached Wilmot at ICL to sound him out as a potential customer and investor in the project that was taking shape in his mind.

Heikes had already researched the feasibility of his idea among European companies when he worked for National Semiconductor, but had found himself a prophet in the wilderness of reluctant Europeans and his US bosses. Wilmot told Heikes he was about to step down as chief executive at ICL, but he was sure that Heikes was right in identifying a market for an independent European manufacturer of custom-designed chips.

They arranged another meeting for early December when they were joined by Mr Jean-Luc Grand-Clement, then a senior European vice president of Motorola, with whom Heikes had batted the idea around. (Motorola had also been with Heikes at National Semiconductor.)

"The pooling of producer/user experience rapidly crystallised into a strategy" around the three points that have since governed ES2: a high level of customer service in custom chips on the basis of fast turnaround, low-volume, cost-effective production and the creation of a team to develop software tools.

Heikes and Wilmot brought in the managers of two venture capital funds at a meeting in Paris. They all met next in Nice in the new year, joined by Mr Piarre Lesieur, Motorola's European financial director. It was then the fund managers committed themselves in principle to the start-up capital, on condition that Grand-Clement and Lesieur left Motorola. David Cooksey, managing-director of Advent, explains: "I was impressed by the very real strength of the team. So nften in start-up businesses one sees middle management people who are dissatisfied, but these were people who had performed very well."

With the start-up capital pledged, the next step was to seek corporate sponsors and sound out the financial institutions and banks. Heikes claims credit, but modestly for the corporate sponsor idea as a means of securing investors and customers. He and his colleagues spent many hours explaining their project to senior people in the top European compnter, telecommunications and electronics companies.

The responses differed widely, despite overall dissatisfaction with the poor service that the companies were getting from the commodity chip prodncers, a view borne out by the remark nf one company which decided to back ES2. "We'd be asking fnr a few thousand chips, and they didn't hear us."

Olivetti was ona which decided to sign up within 24 hours of being approached. Bnt it took five months simply to fix np a meeting with a West German company and when it took place, nothing materialised. Wilmot and his colleagues were nnt surprised by this response. "The last thing to do is develop the attitude that, because this is a European project, companies which don't invest in us are daft. One has to be tolerant and understand who yon are working with, and German companies are cautious."

The target was four to six corporate sponsors. They finally got seven. Olivetti and Philips have seats on the ES2 board, representing all the sponsors, and they all sit on tha strategy planning committee meeting quarterly under a rotating chair (currently Philips) along with Grand-Clement, the ES2 managing director, Bernard Pruniaux, manager of the silicon division, and John Gray, manager of the software division.

About a third of the companies approached agreed to sign up. Those that did not had a number of reasons for refusing: the investment required (minimum $2.5m) was too large; doubts whether the electron beam technology can be implemented as quickly as ES2 management says (dismissed by Grand-Clement, whn say IBM has been using it for years); and plans of their own to design and produce chips in-house.

ES2, not surprisingly, has already given rise to voices in the industry who are pessimistic about its prospects. If tha technology works — essential if ES2 is to get the fast turnaround which is the cornerstone of its service philosophy — other companies will come in to compete, say the sceptics. Texas Instruments is already planning to do so this year, some say, and that would force down the premium charges on which ES2's profit forecasts are based. They also have doubts whether ES2 will be able to overcome European customers' traditionally nationalistic preferences.

Heikes is confident that the prophets of gloom will be proved wrong. ES2s plans are to stick firmly to the niche in the market which it has identified. The prediction is that there will be co-operation not competition with the big semi-conductor manufacturers, to whom ES2 would pass any demand for volume production which might arise from its customised sector.

"I know from my Motorola days that prototypes are a pain in the neck," says Grand-Clement. "They recognise that we are in a different business."

None nf these considerations was discussed by the banks and financial institutions approached last year by ES2. "They saw us as a semiconductor company at a time when commodity chips were a bad scene," says Heikes, "although in fact what we are doing is as far removed from that business as silicon is from valves."

He and his colleagues were disappointed, but not surprised by the cantion. "They wanted to come in at a lower price than the corporate sponsors, whereas our nriginal plan had been to get them to come in at a higher price in the second round."

With the backing of four corporate sponsors in place by last September, ES2 issued a prospectus, and some institutions — and the Euroventure fund set up by the European Round Tabla group — agreed to subscribe by the December deadline. Lesieur's target was "at least $30m — in fact, we got $32.4m and applications are still coming in which are likely to take us up to what we had really wanted, which is $42.4m."

Advent and Techno Venture Management — the original venture capitalists—subscribed $3.6m, inclnding conversion of their first commitment of $2.6m into equity, to the total. Payments will be made in four tranches, the last in Juna 1988. The split between corporate and institutional backing is about 75/25, while 25 per cent of the equity will be reserved for employees, mainly in the form of share options, in the future.

During the nail-biting financial exercise—achieved without the guidance of a merchant bank—professional help was being emplnyed to steer the fledgling company through the legalities of national company and tax regulations. The founders wanted a European company, not a British, or French, or German parent with subsidiaries scattered around Europe. Ironically, the model is the American multinational like IBM which is careful not to centralise its European operations. For people who had spent most of their working lives with US companies, organising in this way was second nature."

"We haven't set ES2 up as a European company because we are ideologically European," says Wilmot, "But because it is strategic to view Europe as the home market." Dubbed a "militant European," (a compliment) by Mr Jacques Delors, President of tha European Commission, Wilmot has some strong views about EEC measures to fight back against US and Japanese dominance in high technology, although he pins the final responsibility on European companies themselves.

"It's all very well footsying around in collaborative research" (the EEC's joint research programme on advanced electronics known as Esprit) "but the real problem is that European companies just don't get themselves organised. The real barriers are not going to be removed by tearing up customs forms and sorting out the lorry drivers—they'll get sorted out — but they're in the mind."

Carpentier at the commission nevertheless emphasises the significance of the Esprit programme by bringing companies together at the research level, he believes it has helped create the climate of collaboration which enabled ES2 to be set np.

Over in the internal market directorate at the commission, Lord Cockfield is watching the progress of the first pan-European company with considerable interest in the hope that it might provide a blueprint for other aspiring Europeans.

Until the EEC achiaves harmonisation of tax and company law, there can be no wholly European company. What ES2's lawyers and accountants have done is to set up companies in nine countries—inside and ontside the EEC—and incorporate in Luxembourg (all the financing was done in Luxembourg francs and ES2 is quoted on the tiny Luxembourg bourse). It was a costly route, with fees amounting to several hundred thousands of dollars, but, given the determination and the money, it can evidently be done.

More important to Heikes, Wilmot, Grand-Clement, Lesieur, and the executive management is the fact that they have created an almost truly European vehicle—seven nationalities are represented on the main board—which might increase the competitiveness of its European customers by offering them a better service than they have had hitherto. They do not pretend that this might be Europe's answer to the semi-conductor problem, but that is not what they set out to do. If they can prove that Europe can be treated as a single market, and make money out of the process, they will be happy.

Men and Matters

Money in the bank

If you design one of the world's most expensive buildings, then it should come as no surprise that you earn fees to metch.

So with Norman Foster, 50, controversial head of British architects, Foster Associates, who seven years ago won the international competition to design the space-age headquarters building of the Hongkong and Shanghai Banking Corporation and is today £25m richer as a result.

Michael Sandberg, chairman of the Hongkong Bank, disclosed at the opening of the new headquarters on Monday that tha final construction cost of the building was HK$5.23bn (£459m).

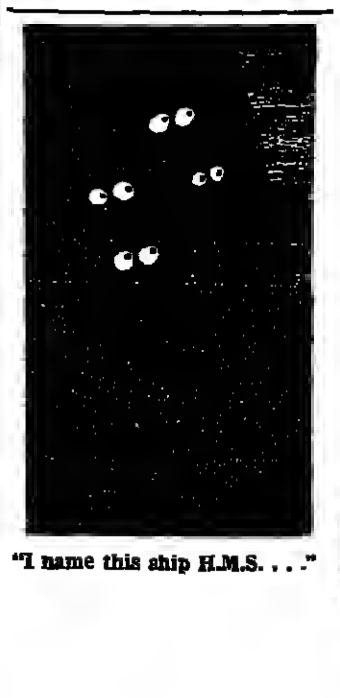
What he did not disclose is that professional fees and costs amounted to a further HK$1.14bn (£100m) — just a shade less than the HK$1.2bn budgeted for the total construction cost of the new Bank of China headquarters now being built 100 yards away from the Hongkong Bank, and due fot completion in 1988.

Next door to the Hongkong Bank, the territory's other note issuing bank, Standard Chartered, is also replacing its now-dwarfed local headquarters with a building that will cost an estimated HK$600m.

Foster, winner of several FT architectural awards, was paid HK$287m—HK$250m as his fee and HK$37m in reimbursable costs. Fees to other consultants amounted to HK$520m, with their reimbursed costs adding up to HK$333m.

"We have a building that cost much more than we reckoned it would," Sandberg said, just befora the opening. "But we do have a fabulous building." He was not so sanguine at the end of 1982 when he discovered that insufficiently tight control of the project had allowed costs to spiral.

After a three-month halt, during which time an architectural audit was carried out under the orders of a committee specially set np to curb costs, modifications were introduced which saved around HK$1bn. It made the difference between the building being merely ona of the world's most expensive rather than definitively the most expensive.



"I name this ship H.M.S. . . ."

Their price

Simon Hornby and Garry Nesbitt have little in common apart from an apparent love of classical music. Hornby, ex-Grenadier Guards and chairman of the staid W. H. Smith retail group, yesterday took over the rather brash Our Price record shop chain, built up over the past decade by former casino executive Nesbitt.

Nesbitt, together with friend Michael Isaacs, who worked in the meat trede, started Our Price to meet the market gap that the major record retailers such as Smith's and Woolworth had failed to identify, let alone capture.

Two years ago, Nesbitt brought Our Price to market with a spectacular debut—but fell a victim to his own growth plans. Hornby, meanwhile, wanted to develop a complementary retail record chain but came unstuck with his first venture, called Sounds FX, launched last summer.

Both Hornby and Nessbitt say they admire classical music—Nesbitt preferring Ravel and Delius and Hornby Mozart. But, in reality, Nesbitt is a secret Blues fan, while Hornby admits to listening tn "Gershwin and Cole Porter."

Shake out

They can sleep a little easier in Egypt's Nile valley. A US Government-funded study into earthqnake dangers to the massive Aswan High Dam has found that the risks are minimal.

The study, which cost $8.4m, was commissioned after an earthquake, measuring 5.2 on the Richter scale, occurred near the dam in 1981. There were reports at the time of cracks appearing in the dam wall, 980 metres wide at the base, which holds back one of the largest man-made lakes in the world.

If the dam were hreached, it would cause a disaster of almost unimaginable proportions. Most of Egypt's 49m people live in the Nile valley and delta.

But US consultants, Woodward-Clyde, say that the dam could withstand an earthquake measuring 7 on tha Richter scale even if the epicentre was on the Kalabsha fault, some 44 kilometres away. Tha probability of such a tremor, according to one estimate, is about one in 500,000.

The dam was completed 20 years ago with Soviet assistance. Its turbines, recently refurbished with the help of USAID at a cost of some $100m, provide about half of Egypt's electricity.

Bhutto challenge

Duvalier of Haiti, Marcos of the Philippines — could Zia of Pakistan be the next to go?

Benazir Bhutto, 32-year-old daughter of tha late Prime Minister of Pakistan, Zulfikar Ali Bhntto, returns to Pakistan tomorrow morning to challenge President Zia-ul Haq to told free elections which, she believes, her Pakistan Peopla's Party would win.

Benazir has had a running political battle with Zia since her father was executed in 1979. When she returned to Pakistan last year, Zia put her under house arrest; and she risks the same fate when sha arrives in Lahore today.

Benazir is flying to Lahore rather than the main international airports at Islamabad or Karachi in a bid to meet her supporters in the main province of Punjab which she was prevented from visiting last year.

An FT correspondent still vividly recalls almost having his shirt torn from his back during a near-riot there by enthusiastic suporters of Bhutto, senior, nine years ago.

Back-fire

A Shogun four-wheel-drive built by Mitsubishi of Japan has beaten all comers in the UK's annual police cross-country driving championships on Salisbury Plain. Its prize? The Land Rover Trophy.

Urge to travel

A Tel Aviv reader who saw my story about the Wailing Wall and the tax inspector's nffice tells me his favourite Wall story is abont the Jew knocking his bead against it and proclaiming: "I want to be with my people—I want to be with my people."

Asked by a passing American tourist where his people were, he replied "In Miami Beach."

Observer

The Fulham by-election

The race for second place

By John Hunt

AS THE crucial by-election battle in Fulham, West London, entered its final stages yesterday, Mr Richard Livsey, the Liberal victor at Brecon and Radnor last year, and Mr Michael Hancock, who won Portsmouth South for the Social Democrats in 1984, were chosen to appear at the daily SDP/Liberal Alliance press conference.

But, despite this valiant attempt to recapture the spirit of past by-election triumphs, it seems extremely unlikely that Fulham will prove to be another of those "famous victories" for the Alliance, when the votes are counted tomorrow night.

All the public opinion polls held in the constituency put Labour well ahead with the Conservatives lying second and the Alliance a poor third.

The signs are that Mr Neil Kinnock, the Labour Party leader, will get the victory he so badly needs to strengthen his hand in the struggle to rid his party of the extreme left-wing *Militant* Tendency and to re-establish its credibility for the next general election.

Equally at stake is the credibility of the other two major contenders. Even if it does not win the seat, the Alliance has to do well in order to show that it is a major political force capable of gaining enough seats to hold at least the balance of power in a hung parliament after the general election.

The chances are that the Social Democrats, who are contesting the seat for the Alliance, will, on the fifth anniversary of the formation of the new party after the break with Labour, achieve this objective.

SDP analysts are pinning their faith on the large number of undecided voters in this constituency, which was formerly a Labour stronghold but was captured for the Tories in 1979 by the late Martin Stevens and held by him at the 1983 general election with a majority of 4,789.

"The undecideds" were as high as 40 per cent at the start of the campaign, dwindling to 25 per cent at the beginning of this week. In past by-elections, this group has swung heavily to the Alliance in the final days and there were signs yesterday that this is happening again.

The SDP said that its late canvass on Monday night showed the number of undecided voters dwindling rapidly and that two-thirds of them were coming across to the Alliance.

Social Democrat strategists believe this could give a surprise result with an outside chance that they might just overtake Labour to win the seat at the last minute.

A more plausible outcome, however, would be for the SDP to come second and force the Tories into third place—a result which would be a bitter humiliation for Mrs Margaret Thatcher.

There may have been a significant slice of the electorate which has not been reached by the public opinion polls.

The imponderable factor is what has become known as the "Underground folk"—mostly junior executives and white-collar workers who are away from the constituency during the day but return via the tube lines in mid-evening.

This would include the "Yuppies," the large number of young, upwardly mobile newcomers to the constituency on whom the SDP pins so much of its hopes.

The difficulty for the Alliance is that it started from such a low base of support, having inherited the seat from the Liberals, who came third with only 18.3 per cent of the vote at the 1983 general election.

Nevertheless, Mr Roy Jenkins, founding father of the Social Democrats, points out that two days before the Alliance triumph at Brecon and Radnor, the polls put the Liberals 18 points behind Labour and three days before the victory at Portsmouth South the polls were putting the SDP in third place with only 25 per cent of the vote.

A narrow SDP victory—unlikely as it is—would be disastrous for Labour and the Tories. Mr Kinnock has been speaking as if victory is already in the bag and pointing out that this confirms Labour as a strong and democratic socialist party—i.e., one that has ditched the extremists and can present an acceptable face to win the next general election.

As at Brecon, Labour has mounted a formidable campaign. The most surprising feature has been the ease with which it has brushed aside the embarrassment caused by the activities of Militant. Even the botched attempt to expel 12 leading Militants in the middle of the campaign hardly caused a ripple. The attempt of the Tories and the Alliance to mount a "red scare" seems to have failed miserably in Fulham.

It was noticeable, however, that Mr Nick Raynsford, Labour's moderate candidate, paled visibly when the press played a cruel April Fool's joke by telling him that Mr Derek Hatton, deputy leader of Liverpool city council and a leading supporter of Militant, was arriving to campaign for him.

Mr Raynsford, an impressive candidate, is the only contender who elicits positive enthusiasm from the electorate. People will stop him in the street, slap him on the back, and say: "We must get her out."

The high level of unemployment in the constituency, 13 per cent, the threat of hospital cuts, and poor housing have strongly benefited Labour.

To capitalise on this, Labour has been making election promises with almost reckless abandon. A succession of shadow Cabinet ministers have *appeared* to *announce initiatives*, which, if totalled up, would cost billions of pounds in public funds.

But the Budget, with 1p off income tax, failed to impress most Fulham voters, and, in addition, the Tory candidate, Mr Matthew Carrington, a merchant banker, has had to contend with the backlash from the Westland affair and the abortive move by GM to acquire the commercial vehicle division of BL together with Land Rover.

Once again, the by-election has highlighted the internal strains within the Government. The Conservatives have fought a very defensive campaign, so much so that his opponents have dubbed the mild-mannered Mr Carrington "the invisible man."

Unemployment and concern over law and order have presented the Conservatives with difficulties and they have run a curiously low-key campaign, which appears to reflect a loss of self-confidence within the party.

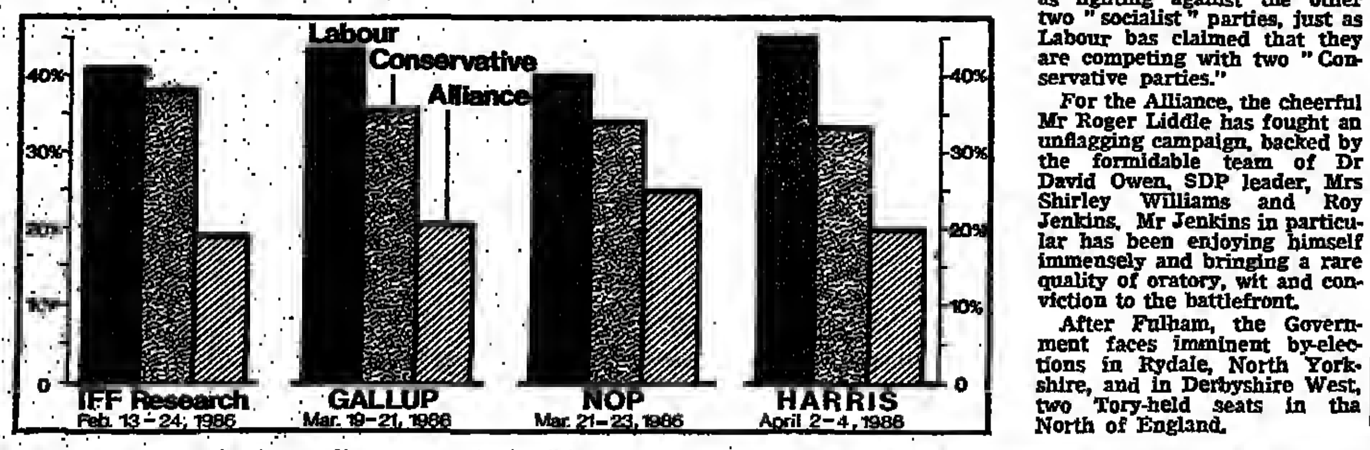
The redoubtable Mr Norman Tebbit, Conservative Party chairman, had to be pressed very hard before he would come out with the customary prediction that the Conservatives would win the seat. His strategy has been to present the Tories as fighting against the other two "socialist" parties, just as Labour has claimed that they are competing with two "Conservative parties."

For the Alliance, the cheerful Mr Roger Liddle has fought an unflagging campaign, backed by the formidable team of Dr David Owen, SDP leader, Mrs Shirley Williams and Roy Jenkins. Mr Jenkins in particular has been enjoying himself immensely and bringing a rare quality of oratory, wit and conviction to the battlefront.

After Fulham, the Government faces imminent by-elections in Rydale, North Yorkshire, and in Derbyshire West, two Tory-held seats in the North of England.

THE CANDIDATES AND THE POLLS

Mr Nicholas Raynsford | Mr Matthew Carrington | Mr Roger Liddle



EEC farming policy

The CAP must be more market-oriented

By James Elles

RECENT RUMOURS that the European Commission is to propose a supplementary budget for extra CAP financing for 1986 brings the problem of agricultural spending bouncing back into prominence. Many had hoped that this issue would be kept safely under wraps through an increase in own resources from January 1986 to 1.4 per cent VAT coupled with a guideline on budgetary discipline.

The immediate cause for alarm comes mostly from international factors outside the direct control of EEC policy makers. These include the significant and rapid fall in the value of the US dollar against European currencies, as well as the new US Farm Bill which will encourage US farm exports.

The situation is made worse in the grain sector by the closing up of traditional markets like India and China which are unexpectedly becoming exporters. Agricultural surpluses are now a worldwide phenomenon: as a result many developed countries have severe financial problems in supporting their agricultural sectors.

In the three years 1982-84, the US spent $37bn on market support for fewer than 2.5m farmers. The European Community spent $4bn more over the same period for market support for more than 8.5m farmers. At a conservative estimate, the US spends more than twice as much on support per farmer as the Community.

How can the Commission resolve the critical triangular dilemma of the maintenance of farmers' incomes and the balance of agricultural markets within tight budgetary limits?

An embryonic strategy is gradually unfolding before our eyes with a three-pronged attack being launched on stock reduction, market policy and structural measures. Its long-term objective is to put more emphasis on structural measures leading to a more market-oriented CAP where prices are not the sole determinant of income.

Its profound weakness is that it is both incoherent and disjointed, like a V8 car engine with only half its cylinders firing. Nor is there any assurance that there is sufficient finance to buy the petrol to keep the car running in the short to medium term.

Starting with stock reduction, the Commission is proposing that stocks should be reduced to normal levels over a three-year period. This is sound economic management as high stock levels are the farmers' worst enemy; they depress markets and generate public resentment.

But such a reduction makes sense only if European consumers (particularly OAPs) benefit from cheap sales as much as outlets outside the EEC; our trading partners are not harmed by surplus dumping on world markets; and there is a cast-iron assurance that stocks, once sold off, are not rapidly going to return again to their present levels.

Turning to market policy, the Commission's purpose is to maintain a restrictive price policy together with related measures to limit overproduction. Such measures take the form either of a market price depressant (eg tight quality controls on cereals going into intervention) or of quota and/or levy systems (eg in sugar and milk sectors).

Although this approach has been successful for some sectors (eg with a fall in EEC milk production of over 4 per cent last year), it does not resolve the triangular dilemma. Average EEC farm incomes took a drastic knock, falling some 6 per cent in real terms in 1985.

Success will come only if an overall approach to land use is taken by the Commission, bringing market and structural policies closer together.

To retain a healthy rural economy in Britain and the rest of Europe, wide ranging structural measures are urgently needed to cope with the problems of falling incomes in all member states in order to avoid a further substantial rural exodus. They are also essential to serve as a means of controlling future stock levels.

We can learn from the US experience, where agricultural surpluses have been a recurrent feature on the political landscape for the past two decades. Here are two suggestions for future CAP policy-making, bearing in mind that if we want a market-oriented policy, the best way not to have to manage a surplus is not to produce it in the first place.

The greatest danger is that large sums will be spent on short-term actions to reduce stocks with no assurance that they will not recur in the future. Why not link an automatic set-aside scheme (either in terms of quota or land dependent on the product concerned) to normal stock levels for major products?

For butter, for example, once the EEC intervention stock level exceeds 300,000 tons (or about 15 per cent of annual consumption) the Council of Ministers would have to decide on a further quota reduction to match the increase above the normal stock level. Below that level, the buy-out scheme could be voluntary.

Secondly, why not give substantial financial support for the conversion of land to non-agricultural activities, such as forestry? This would not simply mean paying farmers to do nothing. Ideas which the Commission have already suggested include encouragement to older farmers above 55 to go out of farming as well as the afforestration of marginal land.

For such a policy to be really effective, however, it must include a temporary set-aside mechanism for top grade land (eg, one year out of five could be fallow for cereal farmers to encourage crop rotation).

These suggestions are intended to contribute to the long-term debate on the CAP's future, encouraging the distinction between commercial and non-commercial land as well as the right balance between market support and structural policy funds in the EEC budget.

We should aim in the next decade to change that balance, taking care that the current balance of agricultural funding between Community and its member states (about 50:50) does not shift too far towards greater national financing. National aids can only provide temporary relief, not a permanent solution.

The main objective in the future evolution of the CAP should be to ensure that the policy continues to become more market-orientated with structural measures playing a full role in helping farmers' incomes, particularly the smaller ones, as well as bringing a healthier balance between agriculture and the environment.

The author is Conservative MEP for Oxford and Buckinghamshire.

Letters to the Editor

Challenges to management

From Mr J. Redwood

Sir,—George's letter to Rodney (Lombard, April 7) is, I trust, nothing more than a spoof from the graveyard of moribund attitudes and values.

If managers regard labour as "a factor," as "a commodity like anything else" it will not be surprising if they encounter industrial relations trouble. The iron law of the market place does indeed apply to us all for most of the time, but not to the exclusion of human values and human problems which pose one of the most important management challenges.

I am sure Mr Prowse, who seems to be acquainted with rather old fashioned friends, would be the first to admit that George's attitudes might take his company rapidly towards strikes and bankruptcy. Profit shares and share incentives, on the other hand, offer a positive way of motivating and retaining people in volatile markets.

John Redwood.
506 Queen's Quay,
Upper Thames Street, EC4.

Part of the assets

From Mr A. Harper

Sir,—Michael Prowse's friend George (Unpopular capitalism, April 17) is the sort of chap who might bring capitalism into disrepute.

Apart from airing the fallacy that labour is a cost of production, he misses entirely the motivational aspects of sharing jointly-produced rewards of business endeavour. Stockbroking, surely right at the heart of the capitalist system, has long recognised the power of bonuses and profit-sharing and uses both, despite lack of tax incentives.

The employed workforce of a business is just as much part of the assets of the firm as plant and machinery. Against this view, it is only reasonable to so structure remuneration levels that they directly respond to variable profitability.

Arnold J. Harper.
31, Russell Rd, SW19.

BT final call

From Mr R. Jarvis

Sir,—Payment for the final call on my British Telecom holding was posted by 1st class mail on March 31, but 7 days later I still had no acknowledgement nor had my cheque been cleared. Continuous alternate ringing of the two numbers given for shareholder enquiries failed to get through, but after two attempts I managed to get the local operator to reply, but she also failed to get through, and then made contact with another office where the girl answering took my number and said she would get the enquiry unit to ring me. (Over three hours later I was still waiting.)

The conversation went like this: "I can't deal with share queries, but I will get them to ring you if you give me your name and number." Given. And "I have had no response to sending my cheque a week ago!" "Oh, a lot of people are saying that!"

As forfeiture of shares is the result of failure to pay the call in time I consider that failure to return interim certificates promptly and to pay cheques in for clearance by at least the day after receipt is inexcusable. Has BT not learned the basic commercial fact that the prompt clearance of cheques enables funds to be placed on an interest earning basis?

I write as one who during his career had a spell as company registrar, and considers that what should be the simple processes involved, should be dealt with much more efficiently. That they are not, may be the reason for the lines of the enquiry units being inadequate!

I suggest that before applying forfeiture BT should ensure that it is indeed the shareholder who is at fault, and not itself or its agents.

R. W. Jarvis.
3 Hill Street,
Monifieth, Tayside.

Nuclear power stations

From the Director, Centre for International Energy Studies, Erasmus University

Sir,—I wonder if Mr P. Watts, the economic adviser to the Central Electricity Generating Board inadvertently misrepresented my letter in his reply which you published on April 1. He refers to the "extreme" assumptions in a case investigated by the inspector in which there was a "hypothetical fall of one-third in the real prices of fossil fuels between 1980 and 1990 with only a gradual recovery thereafter." On this assumption, Mr Watts claims, "Sizewell B was more economic than a new coal station."

It is appropriate that he uses the past tense in his claim as there is no longer any validity in defining the assumptions used for the case specified as hypothetical—let alone extreme. In my letter I pointed out that internationally traded fossil fuels "now stand at little more than one-third of their prices in 1981" and that "the prospects for supplies which significantly exceed demands now extend well beyond the turn of the century" so excluding the prospects of a recovery of prices by 2000 to their levels of 1980—as implied in the case which Mr Watts defines.

In other words, the CEGB's "worse possible" case for Sizewell can now be described as the best possible. Irrespective of what the inspector recommends on the basis of the evidence he heard in 1983-84, it now behoves the CEGB—for its own good as well as that of electricity consumers—to re-evaluate the economics of its proposed investment in nuclear power—in the light of the subsequent fundamental changes in international energy markets and in the prospects for fossil fuels' prices.

Peter R. Odell
Postbus 1738,
3000 DR Rotterdam, Holland.

The battle for Wimbledon

From the Chairman, Merton Alliance Shadow Council

Sir,—Thank you for the timely article, "The battle for Wimbledon town centre" (April 4). It is a confrontation between two powerful developers with high stakes for the citizens. Is Wimbledon to be transformed into a Croydon-style but smaller scale shopping and office centre? Or can it become a distinguished shopping centre and retain the character of the town centre buildings?

The Tory leadership have made it brutally clear that they favour the former strategy and will not brook the latter despite the strong views of residents. Consequently Speyhawk is being recommended to the Minister for a planning approval with the backing of a financial agreement, recently signed, involving substantial penalty clauses. Greycoat, on the other hand, is to be rejected out of hand. The Alliance is supporting the Greycoat scheme for Hartfield Road and Queens Road.

It will be public scandal if the Greycoat scheme is ignored and planning permission is given to the rival Speyhawk scheme without the sanction of the new administration after the hustings on May 8.

Neil Rennie.
Flat E,
10 Kings Road, SW19.

Manufacturing industry

From Mr B. Hill

Sir,—While agreeing with most of what Sir John Harvey-Jones had to say in his Dimbleby lecture (April 4) about the importance of manufacturing industry, I see nothing on the horizon that will change the position. For 99 per cent of the employees in industry, it offers neither fun, security nor above-average reward.

It is no accident that people in a position to choose, do not choose manufacturing industry. There are quite simply more attractive alternatives.

Making "things" can be fun, but making money out of making things rarely is.

Exhortation never changes attitudes founded on underlying truths and until we as a nation are unable to afford to import other people's manufactured goods there are no natural forces at work that will reverse the decline outlined by Sir John.

Brian L. Hill.
Middle Farm, Hogshaw, Buckingham.

Pension safety margins

From Mr F. Tuckman, MEP

Sir,—Mr C. G. Lewin (April 3) makes much sense. If pension schemes are to be valued and then allowed a mere 5 per cent margin for safety, pension scheme members are put at grave risk. While inflation is now low, that cannot be expected to continue for ever.

We already know that the two major opposition parties wish to stimulate the economy by heavy public spending. On past performance this will lead to irresistible and high wage claims resulting in rekindled inflation. No actuary can value this potential. Companies may wish to keep pensions in line with the cost of living, and that would require either a margin of available capital, or financing out of future profits. The mandatory repayment of all sums above valuation plus 5 per cent would provide a strait jacket which seems unwarranted.

To follow the suggested route of a safety margin recommended by the actuary to each scheme looks like a reasonable compromise. I hope some of the more powerful lobbies will take up the case.

Fred Tuckman.
6 Cumberland Rd SW13.

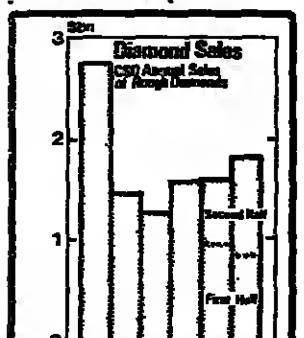
FINANCIAL TIMES
Wednesday April 9 1986

Price rise in May for uncut gem diamonds

By Kenneth Marston, Mining Editor, in London

GEM DIAMONDS in rough (uncut) form will cost an average of 7½ per cent more from May 6. This increase – the first since a rise of 3½ per cent three years ago – is being made by the Central Selling Organisation (CSO) of South Africa's De Beers which markets more than 80 per cent of world diamond mine output.

The latest price increases will vary according to quality and size and do not affect industrial diamonds. They emphasise the recovery that has taken place in the diamond market after its long recession and, to a lesser extent, also reflect the recent fall in the value of the dollar in which diamonds are priced.



Over the past year or so, however, two major factors have emerged: demand has broadened from the small and cheaper gems into the larger and better quality stones, while there has been a continued fall in the exceptionally high stocks carried by the diamond cutting and polishing trade.

While curbing production, De Beers has been stockpiling the larger and less saleable diamonds. Only those stones which can be readily sold onto the retail market have been offered to the cutting and polishing trade.

The result has been to flush out the big trade stocks to the extent that they are thought to have fallen by some $5bn – more than half – during the past five years. Those held by the cutters in Israel, for example, are believed to have dropped to some $200m from $1.5bn in 1981.

Trade buying of uncut stones has thus picked up as seen in a rise in CSO sales last year to $1.82bn from $1.61bn in 1984. In some categories of gem diamonds, shortages have appeared and higher prices have been received for newly mined stones by those producers who do not sell their output via the CSO.

Even so, the market still has a long way to go before it achieves full recovery – CSO sales reached a record $2.72bn in 1980

Standard Chartered turns down Lloyds approach

BY DAVID LASCELLES, BANKING CORRESPONDENT, IN LONDON

THE BOARD of Standard Chartered yesterday unanimously turned down last week's offer from Lloyds Bank to discuss a £1.2bn ($1.76bn) merger, opening the possibility of a hostile takeover or a rival bid for the London-based international bank.

Lord Barber, Standard's chairman, told Sir Jeremy Morse, chairman of Lloyds, that "discussions would not be fruitful."

The announcement from Standard, which came at the end of its regular monthly board meeting, set off further speculative trading in the bank's shares on the London Stock Exchange. They ended the day 4p higher at 862p, having reached 886p earlier. This compares with the 750p proposed by Lloyds. Shares in Lloyds fell 5p to 595p.

The board decided that "the suggested proposal would not be in the interests of its shareholders, staff and customers." Mr Michael McWilliam, the group managing director, said that Standard had recently concluded a strategic review and had decided that its best interest lay in remaining independent.

"The approach cut clean across the clear line of thinking of the whole board," he said. "If we had decided we could do better by joining up with one of the clearers, we would have made an approach of our own."

However, Lloyds appeared last night to be preparing to pursue its offer by hostile means if necessary, even though it has indicated its distaste for an all-out takeover battle. According to Mr David Horne, the director of Lloyds Merchant Bank which is handling the bid, said: "We are going to carry on at the same price."

He said that Standard Chartered's brief statement had failed to explain why Lloyds' offer was not in the interests of the bank's shareholders, staff and customers. "I hope commonsense will prevail," he said.

Among the London financial institutions it was widely believed that a third party was preparing to make a counter-bid. Mr McWilliam said he had received approaches from several institutions all round the world "expressing sympathy with our wish to remain independent." But he denied that Standard was seeking a "white knight" to rescue it. "We do not need to because we have not yet had a firm bid."

Schroders, Standard's merchant bank, yesterday consulted the Takeover Panel about the status of Lloyds' approach, which did not amount to a formal bid but raised questions about when the clock would start to run and the takeover rules begin to apply. According to Mr Nicholas Jones, a Schroders director, the panel should hold Lloyds to its statement last Friday that it would clarify its intentions as soon as possible.

"They will have to make up their minds. They can't keep things in limbo for long," he said.

The panel takes the view that Lloyds has made an announcement about talks, but this does not mean that the bank will have to post an offer document within 28 days. There would come a time, though, when the panel would ask Lloyds to decide whether to proceed.

According to Mr Horne, Lloyds will meet today to decide its next step.

Norwegian employers lock out 100,000 and warn of lay-offs

BY FAY GJESTER IN OSLO

A LOCKOUT of about 100,000 workers in five Norwegian manufacturing and service industries started early yesterday, plunging the country into its worst industrial dispute for 55 years.

Sectors affected are the hotel, restaurant and building trades and the textile, heavy engineering and electro-metallurgical industries.

The employers' association, NAF, which imposed the lockout, estimates that its indirect effects could soon lead to lay-offs which will double the number of idle employees.

Mr Kåre Willoch, Norway's Prime Minister, has warned that the two sides must not count on government intervention to solve the conflict, which developed during the usual spring bargaining about a revision of contracts covering industrial wages and working conditions.

Sweden's private sector white-collar workers and employers withdrew from all-out confrontation yesterday and agreed to a call from state-appointed mediators to postpone for 48 hours their planned strike and lockout. **Page 3**

This year, with Norway's economy in trouble because of the oil price slide, the employers adopted a tough line. They imposed the lockout mainly to back their demand for changes in a system – adopted several years ago – which guarantees minimum wages to workers in low-pay industries such as textiles and the hotel/restaurant business.

The employers' association wanted to link this issue with the unions' call for a shorter working week for blue-collar employees.

In a television broadcast on Monday evening, Mr Willoch appealed for "moderation," in view of the difficult economic situation, an appeal which appeared to be addressed primarily to the unions. This triggered strong criticism yesterday from union leaders and Mr Gunnar Berge, the opposition Labour Party's shadow Finance Minister.

Mr Berge said this "one-sided" plea had created a bad climate which would have lasting ill effects.

Mr Willoch said yesterday that his "moderation" message had been aimed at both sides.

Ovako and SKF Steel to merge

Continued from Page 1

mills, and SKF Steel will press ahead with the planned closure of its main 250,000 tonnes-a-year crude steel mill at Hellefors in Sweden over the next two to three years with the loss of about 400 jobs.

SKF sought the merger with Ovako as an alternative to making large investments to modernise its costly crude steel production at Hellefors. Ovako will become its main supplier and will continue the planned modernisation and expansion of its Imatra steelworks in Finland.

Ovako was profitable last year, but SKF Steel plunged into losses for the second time in five years in 1985 with a loss of SKr 65m, chiefly because of the heavy costs of its pioneering plasma technology-based metals recovery plant in southern Sweden.

SKF claims that Ovako Steel will be particularly strong in the production of wire rod, bar and seamless tubing as well as forged and rolled rings. There will also be a considerable range of commercial steel.

Ovako has been one of the pioneers in applying continous casting to special steel production.

Prospects for summit this year improve

Continued from Page 1

preconditions for the meeting, he said.

The only requirement, on both sides, was that the meeting should be well prepared and produce significant results. Both sides agreed it was important to move forward in such a way as to cover all the main problems between them.

These included arms control, "flashpoints" around the world, human rights, bilateral issues and the general atmosphere of superpower relations. However, no specific new proposals in any of these areas had been discussed at yesterday's White House meeting with Mr Dobrynin yesterday.

Yesterday's talks had touched on all the main issues likely to be raised at the summit, and the US had brought up the problem of Libyan terrorism. Mr Dobrynin had given Mr Reagan a letter from Mr Gorbachev.

G5 considers broader co-operation

Continued from Page 1

ly since Mr Edouard Balladur, the French Finance Minister, was not due to arrive in Washington until today.

There was speculation that Japan and the US, however, would be sounding out the possibilities for a further round of cuts in short-term interest rates, perhaps to coincide with next month's Tokyo economic summit.

A meeting last night of the Group of 10 industrial nations was expected to endorse the view of most of the larger countries that there is little prospect of any move towards a system of rigid target zones for exchanges rates, but to pledge continued pragmatic co-operation.

Mr H. Onno Ruding, the chairman of the Group of 10 and of the Interim Committee, was pressing his colleagues to agree on a $12 refunding package for the World Bank's soft loan arm, the International Development Association. The US Administration, however, has indicated that for the moment at least it sees a $10.5bn replenishment as sufficient.

Nixdorf acts to keep independence

Continued from Page 1

DM 3.93bn last year, and new orders in the first quarter of this year were up 20 per cent on a year ago.

Mr Arno Bohn, the marketing chief, said that Nixdorf had just obtained its biggest single order – to supply a retail concern in the US – but could not yet give details. Nixdorf earned 90 per cent of its sales revenue in Europe last year, but Mr Bohn said it was making progress in building up sales in North America and Asia.

Mr Horst Nasko, Nixdorf's telecommunications chief, said that the company's digital private automatic branch exchange (PABX) had achieved a firm 10 per cent share of the West German market for PABXs of between 30 and 3,000 extensions.

Mr Luft said that Nixdorf would move more strongly into the factory market for data processing, including computer aided design and computer aided manufacturing. It planned a new headquarters in Stuttgart for factory-oriented data processing operations.

Nixdorf would continue to be a "general contractor" supplying data processing solutions to customers.

Japanese proposals to offset effect of rising yen

By Jurek Martin in Tokyo

JAPAN ADVANCED a long list of proposals yesterday designed to offset the deflationary consequences of the appreciation of the yen.

So diffused and conjectural were the proposals that the Government declined to provide any estimates on how economic growth might be affected. There is widespread international and domestic scepticism that the official 4 per cent real expansion forecast can be met this year.

The proposals were mostly familiar and narrowly focused. They came a day after the release of the Maekawa report of the special blue chip advisory group on how to make the Japanese economy more internationally compatible.

Its recommendations have received a surprisingly cool reception inside Japan itself. An editorial in yesterday's Nihon Keizai, the establishment business newspaper, condemned its "vagueness," its lack of originality and specifics and its refusal to deal in targets and deadlines. The report, the newspaper said, appeared too much to be the product of the bureaucracy.

The measures announced yesterday may run into similar criticism, which would not help Mr Yasuhiro Nakasone, the Prime Minister, when he presents them in Washington next week as a serious demonstration of Japan's willingness to assume a leadership role in international economic policy-making.

For example, the package makes the standard call for "flexible monetary policy." But it was not accompanied by a reduction in the discount rate, as seemed possible a few weeks ago. The recent slippage in the value of the yen to above 180 to the dollar appears to have strengthened the Bank of Japan's inclination to hold the line for the moment.

On this occasion the Government claims that the 78 per cent of the public works budget to be disbursed in the first half of the current fiscal year is a record. It also says that proposed relaxation of zoning and height restrictions, especially in Tokyo, could produce significant results.

Most of the other measures involve passing on to industrial and individual consumers the benefits of the higher yen and cheaper oil in the form of lower prices. These include cheaper utility rates, petrol prices, international telephone calls and possibly yen-billed international airline tickets, although in most cases implementation is left vague.

There will also be official monitoring of the price trends of 37 leading imported consumer goods, including whisky, wine, chocolate – all matters of concern to the European Community – and more exotic items such as octopus and gymnastic equipment. This will be abetted by a promotional campaign to increase the public's awareness of imported goods and their competitiveness in the market place.

Nicholas Colchester, Foreign Editor, in Tokyo, writes: The muted Japanese response to the Maekawa report was echoed yesterday in interviews with two senior officials in the Japanese private and public sectors.

Mr Masaya Miyoshi, senior managing director of the Keidanren, the most powerful of Japan's business confederations, described the report as "forward looking" but "lacking in concrete proposals" and said that such an outcome was to have been expected in a country that functioned through consensus.

Mr Kazuo Wakasugi, the vice-minister for international affairs of Miti, the Ministry of International Trade and Industry, said that "some people may consider it too abstract but if you understand the Japanese system you are able to read between the lines."

Stock markets, Page 38

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	R	13	55	Dubrovnik	—	—	—	Malta	S	21	70	Rhodes	S	22	72
Algiers	R	10	50	Edinburgh	F	6	43	Manchester	R	4	39	Rio de J'o	C	32	90
Amsterdam	C	5	41	Faro	F	11	52	Manila	C	31	88	Rome	F	20	68
Athens	S	25	77	Florence	C	22	72	Melbourne	C	19	66	Salzburg	—	—	—
Bahrain	S	28	82	Frankfurt	S	13	55	Mexico City	S	28	82	San Francisco	C	16	61
Bangkok	C	33	91	Funchal	C	15	59	Miami	S	25	77	Seoul	S	15	59
Barcelona	—	—	—	Geneva	C	13	55	Milan	R	13	55	Singapore	F	31	88
Beirut	C	22	72	Gibraltar	—	—	—	Montreal	—	—	—	Stockholm	S	7	45
Belfast	C	5	41	Glasgow	S	8	46	Moscow	C	4	39	Strasbourg	C	11	52
Belgrade	S	28	82	Guernsey	C	6	43	Munich	F	21	70	Sydney	S	25	77
Berlin	C	7	45	Helsinki	F	6	43	Nairobi	F	26	79	Taipei	S	26	79
Biarritz	F	5	41	H. Kong	C	22	72	Naples	F	24	75	Tangier	F	13	55
Bombay	S	32	90	Innsbruck	S	-21	-6	Nassau	S	27	81	Tel Aviv	C	23	73
Bordeaux	C	8	46	Inverness	F	7	45	New Delhi	S	33	91	Tenerife	C	16	66
Brussels	C	7	45	Islamabad	S	32	90	New York	C	21	70	Tokyo	S	14	57
Budapest	S	24	75	Istanbul	S	20	68	Nice	R	14	57	Toronto	—	—	—
B. Aires	C	26	79	Jakarta	C	32	90	Nicosia	S	26	79	Tunis	C	20	68
Cairo	C	25	77	Jersey	C	7	45	Oporto	R	6	43	Valencia	—	—	—
Cape Town	F	20	68	Jo'burg	F	26	79	Oslo	S	8	46	Venice	C	17	63
Caracas	C	27	81	Lima	S	24	75	Paris	C	7	45	Vienna	S	24	75
Casablanca	C	14	57	Lisbon	C	8	46	Peking	S	25	77	Warsaw	S	21	70
Chicago	C	26	79	London	D	5	41	Prague	S	21	70	Washington	—	—	—
Cologne	C	10	50	Los Angeles	C	20	68	Reykjavik	S	5	41	Zurich	S	15	59
Copenhagen	F	8	46	Luxembourg	S	14	57								
Corfu	S	24	75	Madrid	F	10	50								
Dallas	—	—	—	Majorca	—	—	—								
Dublin	C	5	41	Malaga	—	—	—								

Readings at mid-day yesterday: C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Eximbank looks at China

BY NANCY DUNNE IN WASHINGTON

THE US Export-Import Bank is considering its first application for export financing to China since it began to do business with the country in 1981.

Mr John Bohn Jr, the bank's chairman, told a business conference in Seoul that the bank had just received a financing request to cover $89m costs for equipment and services from General Electric and Babcock & Wilcox US, which are in a consortium with Italian and Canadian companies supplying four generating units for the Huaneng thermal power project.

The bank has established a financial agreement with the Bank of China and has designated the Chinese Government to serve as Exim's guarantor.

It is also prepared to consider applications for nuclear power plants as soon as the bilateral agreement (on nuclear technology sales) is in force, Mr Bohn added.

Eximbank is also to increase business with India in the areas of electric power, telecommunications, gas and oil exploration and development, food processing, grain handling and storage and testing equipment for quality control in production.

The bank has offered two new credit lines to the Export-Import Bank of India and the State Bank of India for smaller capital goods purchases which, Mr Bohn said, should tie in with the Indian modernisation programme.

Gabon buys transponder

By Our Washington Staff

INTELSAT, the international telecommunications co-operative meeting in Panama this week, has announced that Gabon has bought a transponder for an undisclosed sum.

Gabon is the first African country to buy a transponder, which receives and sends signals from a satellite. It will be used to improve domestic communications

Intelsat's sale of its excess transponders has caused concern among US private companies which would like to compete with the organisation and which say it is dumping transponders at below-market prices.

THE LEX COLUMN

Last days of the Empire

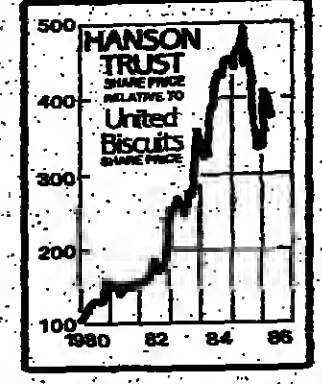
Hanson Trust and United Biscuits have each rehearsed their arguments a hundred times so it is perhaps not surprising that the most absorbing debate in the Imperial Group takeover now revolves around the value of Hanson's convertible paper.

There is not much else left do discuss. Yet with only two full days to go before the UB offer closes, the price attributable to the Hanson convertible is neither here nor there. The two offers are running neck and neck with UB, if anything, enjoying the edge on income.

It would be nonsensical for any institution to take a decision based on the market value of the two offers. The few halfpence which may separate them on Friday afternoon will seem an irrelevance even by Monday morning. The institution must for once take a decision which is as much commercial as it is financial. Either they endorse Sir Hector Laing's vision of an international consumer products group fit to take on Nestlé and Nabisco or they opt for the proven conglomerate style of Lord Hanson.

The odds clearly favour Hanson Trust. This is partly a matter of stock market arithmetic. The UB share price is discounting the likelihood of failure and the possibility of a subsequent offer for UB itself. Even leaving aside the small earnings dilution which might result from UB taking control, success would almost certainly result in a lower UB price. The Hanson share price should, by contrast, already be anticipating the digestion of Imperial.

UB argues with conviction that the institutions should be taking a longer-term view of their investment and should be considering the industrial merits of United Imperial. There is not much doubt that UB would spend more on Imperial's fixed assets than Hanson and would be less dependent on subsequent acquisitions for earnings-per-share growth. But, hard as it tried, UB has not altogether succeeded in its attempt to portray Hanson as an acquisition machine which will run out of targets – and chairmen – just as the Hanson loan stock starts to convert in 1990. Imperial and SCM provide the company with several years of hard labour and buying ICI cannot be the only way of sustaining earnings growth in the 1990s.



Nor has UB routed the opposition with its industrial arguments. Imperial is by international standards already a substantial business, but even the addition of UB will not put it in the same league as Unilever or Philip Morris/General Foods. UB certainly has more room than Hanson to extract marketing and distribution benefits from the takeover, particularly in the food division, but the history of megamergers within single industries suggests that economies of scale are often offset by the diseconomies of size. And while there may be financial logic in putting together UK tobacco and US biscuits, there is not much of an industrial case to be made. No-one would criticise a fund manager for backing UB in its bold enterprise but nor, in this instance, should the institutions conclude that support for Hanson is any abnegation of long-term responsibility.

UK Provident

It is not every investment institution that runs into trouble in the midst of a bull market in both stocks and bonds, but UK Provident has managed it, and as a mutual society, it has been left with no option but to merge with another, in this case an eager Friends Provident.

At heart, this is an everyday story of simple mismatched funds. UK Provident was offering high-income products on the strength of low-yielding investments in equities and unquoted stocks. The resulting drain on free reserves was there for all to see in UK Provident's last accounts; although nobody did see until the UK Department of Trade turned up the heat towards the end of last year.

Obviously, investments in subsidiaries valued at £44m the last balance sheet could not be worth much now when they included three companies involved in the US oil and gas industry. Meanwhile, the surplus in the accounts of assets over liabilities has remained steady since 1981, despite a doubling of the funds and a trebling of new premiums. To go on promising large bonuses to gain new business as if these reserves were a bottomless pit is an odd procedure for a company which has borne a responsibility to future policyholders for nearly 150 years.

In contrast, Friends Provident is overflowing with free reserves and will keep its own policyholders funds separate until UK Provident is brought back within its means. But the unlikely hero of the hour is the DTI, which gets full regulatory marks for precipitating a crisis and its clean-cut solution.

W.H.Smith/Our Price

W. H. Smith claims to be longer-sighted than its shareholders. While it was gazing five years down the road yesterday and seeing a good return on its Our Price purchase, the market was looking at the next couple of years and questioning the £43m price tag.

On a pre-tax profit estimate for Our Price of £2.4m for the year to May, the exit p/e ratio is around 35, though rapid growth should cut it in the low 20s next year.

Smith's earnings will see little benefit from the deal for two years and there is the fear that the management Smith is buying will lose motivation, however committed they are now. Meanwhile Smith's profit forecast for the current year of at least £49m, against forecasts of £52m or more was a disappointment.

For Our Price shareholders the attractions are much clearer. From the offer for sale price two years ago of 215p they are now looking at a share swap worth 862p with Smith shares closing down 20p at 336p.

The alternative to the takeover was a hefty rights issue as Our Price's expansion was pushing gearing up to the 90 per cent level by the year end. If Smith's strategy of building specialist retail chains means more such deals investors will begin to tire.

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Wednesday April 9 1986

CBS down sharply in first quarter

By Paul Taylor in New York

CBS, the US television network group which has been the subject of repeated takeover attempts and speculation in recent months, yesterday reported sharply lower earnings from continuing operations in the first quarter.

The New York-based group, which recently rebuffed a takeover bid by Mr Marvin Davis, the Denver oilman, blamed a weak national advertising market, higher programme development costs and its heavier debt burden for a 38 per cent decline in first-quarter income from continuing operations. Earnings from continuing operations fell to $16.3m or 56 cents a share from $26.5m or 89 cents a share in the first quarter a year ago, on revenues which advanced to $1.2bn from $1.1bn.

Net earnings fell a more modest 3 per cent to $16.3m from $16.8m in the 1985 period.

Mr Thomas Wyman, CBS's chairman and chief executive, said the negative factors were partly offset by sharply improved results from the records division, the effects of a company-wide overhead cost reduction programme and a one-time gain from the sale of notes receivable.

Among its operating units, CBS said sales of its broadcast group rose by 6 per cent to $899.4m, while profits fell by 66 per cent to $19.4m, reflecting sharply lower profits from the television network, partly offset by "solidly" improved results for television stations and higher profits from the radio group. In contrast, CBS Records reported a 21 per cent gain in revenues to $353.9m.

Bayer lifts pre-tax profit by 8.4% to DM 3.15bn

BY JOHN DAVIES IN FRANKFURT

BAYER, the West German chemical concern, increased its worldwide pre-tax profit by 8.4 per cent to DM 3.15bn ($1.36bn) last year. The lower US dollar, however, restrained the group's fourth-quarter sales performance.

Group sales revenue for the year rose 6.7 per cent to DM 45.93bn but fourth-quarter sales of DM 10.43bn were 1.7 per cent lower than a year earlier.

BASF, one of the other big three West German chemical groups, reported last week that its pre-tax profit rose 20.6 per cent to DM 3.04bn last year, while worldwide sales were up 9.6 per cent at DM 47.69bn. Hoechst will announce its results today.

All three chemical groups enjoyed buoyant business last year for the third year in succession. With sales already at a very high level, however, the momentum has been tapering off.

Bayer said yesterday the decline in the value of the dollar would have an impact on sales revenue in terms of D-Marks this year. The lower dollar had also sharpened the competition from US chemical groups in international markets.

On the other hand, the drop in raw material prices would partly offset this problem. In addition, capacity utilisation was expected to remain high and cost inflation in West Germany was very low.

The Leverkusen-based Bayer parent company increased its sales revenue by 6.1 per cent to DM 17.54bn last year. The parent company's fourth-quarter sales of DM 3.97bn were up 4.1 per cent on a year earlier, with exports giving more impetus than domestic sales.

Bayer said its worldwide business was satisfactory in almost all regions. Sales were helped by the relatively good dollar exchange rate in the first half of last year and by the relative price stability in West Germany.

After the chemical industry's setback in 1982, Bayer recovered with a sharp 123 per cent rise in group pre-tax profit to DM 2.163bn in 1983, followed by a further 34.1 per cent rise to DM 2.9bn in 1984.

There has been much speculation that all three chemical companies will raise their dividends for 1985 for the third year in succession. All paid DM 9 per share on their 1984 earnings.

Oil crisis slows Mannesmann

BY RUPERT CORNWELL IN BONN

MANNESMANN, the West German engineering group, is expecting a tough year for its important steel pipes manufacturing division. The problems stem from a major increase in production capacity worldwide, and a slump in demand for pipes for oilfields as a result of the collapse in oil prices.

This was made clear yesterday by Mr Werner Dieter, chief executive of Mannesmann. His warning came at the Hanover industrial fair, which was opened yesterday by Mr Richard von Weizsaecker, the West German President.

The difficulties at the pipe division, Mannesmann Roehrenwerke, contrast with its recent recovery, which helped the group to achieve an increase of 15.2 per cent in 1985 sales to DM 16.17bn ($7.6bn). Profits last year, according to Mr Dieter, climbed by an even larger margin from 1984's DM 188m, while orders were 10 per cent up on the previous year.

Mr Dieter gave no details of how the group had fared so far in 1986, but said that for the year as a whole its other main divisions – including construction and hydraulic equipment and plant engineering – would turn in good figures. In 1985 the pipes division broke even, after a loss of DM 218m in 1984.

Weak pricing hits US paper groups

BY WILLIAM HALL IN NEW YORK

INTERNATIONAL PAPER (IP), the world's biggest paper maker, yesterday reported a 55 per cent drop in first-quarter net income to $17.3m and has again left uncovered its quarterly dividend payments of more than $40m a quarter.

Mead, another big paper and forest products group based in Dayton, Ohio, which in terms of sales is about half IP's size, yesterday reported a 23 per cent drop in first-quarter net income to $18.1m.

Both companies continue to be affected by the weak pricing which damaged their performance in the final months of last year. IP, which reported earnings per share of 26 cents compared with 64 cents a year ago, said its pricing levels were "significantly lower" in the latest quarter, while income from forestry transactions declined.

Mr John Georges, IP's chief executive, said: "Several price increases on major product lines such as pulp, container board and uncoated white papers began to take hold near the end of this year's first quarter. We believe with improved operating efficiency and stronger pricing levels, International Paper's earnings should improve significantly as the year progresses."

On Wall Street, where fears that the company might cut its $2.40 per share annual dividend have receded, IP's share price rose by $⅝ to $56⅞ yesterday. Mead's shares also rose by $⅝ to $46⅞ in early trading yesterday.

Mr Burnell Robert, Mead's chairman, said: "Prices and order backlogs made a postive turnround in the first quarter, though not soon enough to be fully reflected in the quarter's earnings. We expect these improvements to favourably impact results in the next quarter."

Mead said the "unprecedented low level of pricing" in the second half of last year carried into the first quarter of 1986 but the recent improvement in prices and volumes resulted in a 63 per cent rise in pre-tax earnings in the latest period compared with the final quarter of last year.

The falling US dollar has re-opened a number of export markets so that "world economies are operating at higher levels than anticipated and this is having a favourable effect on demand for commodity products."

Industry exports of linerboard increased 30 per cent in the first two months of this year compared with the same period last year, and Mead implemented a 12 per cent price increase on its linerboard used in the manufacture of corrugated cases from February 1.

Despite a price increase from April, Mead said its export pulp customers were still seeing a drop in their costs because of the drop in the dollar. Demand for pulp continues to be strong and lumber prices have reflected increased housing starts and have risen significantly.

It announced a number of price increases for its uncoated papers, where demand was strong.

Warnaco rejects new offer

By Our Financial Staff

THE TAKEOVER battle for Warnaco, the US clothing manufacturer, intensified yesterday when the company's board rejected a sweetened $430m bid from a group of Los Angeles investors and raised the stated value of its own leveraged buyout plan.

At the same time Warnaco announced a rise in first-quarter operating net profits from $3.87m or 38 cents a share to $5.5m or 53 cents. The latest figure, however, excludes merger costs of $3.75m, while sales were virtually unchanged at $140.6m.

On Monday the outside group of bidders, W Acquisition, raised its cash offer for Warnaco stock from $40 a share to $42.50.

Warnaco said yesterday the revised recapitalisation approved by directors calls for the amount of cash offered for each Warnaco share to be increased by $2 to $9, the $15 principal amount of 13.75 per cent senior 10-year subordinated notes to be unchanged and the principal amount of 14.25 per cent 15-year junior subordinated sinking fund debentures to be increased $1 to $15.

It noted the offer still included one share of common stock in a recapitalised Warnaco.

Heavy loss for US insurer

USF & G, the Maryland-based insurance group, has as expected reported a heavy loss for the fourth quarter of 1985, as it strengthens reserves for its property and casualty insurance business.

The operating loss for the quarter was $109m, against a deficit of $30.2m a year earlier. For the year, final net losses, restated and including investment gains and losses, were $108.1m

W. H. Smith pays £43m for UK record chain

BY DAVID CHURCHILL IN LONDON

W. H. SMITH & Son, the British retail newsagency and wholesalers, yesterday launched an agreed bid for the Our Price specialist record shop chain in a deal valuing Our Price at £43.2m.

The move will make W. H. Smith the largest record retailer in Britain with just less than a fifth of the total market for records, cassettes, and compact discs worth more than £550m last year at shop prices.

It will also increase the personal fortunes of Mr Garry Nesbitt, 43, and Mr Michael Isaacs, the founders of Our Price. They stand to gain a further £6m each in addition to the £2.5m each made when the company went public two years ago.

Our Price was formed in 1971 by Mr Nesbitt and Mr Isaacs with a loan of £100,000 to meet what they saw as a market gap for a specialist record retailer. In the six months to November 27 1986 the 130-store chain achieved pre-tax profits of £592,000 and sales of £15m in the corresponding interim period a year before.

The acquisition is part of W. H. Smith's retail strategy of establishing a series of specialist retail operations which complement its main retail business.

"We hope to reach a different type of customer through Our Price stores than we would normally sell records and tapes to in our chain stores," said Mr Simon Hornby, chairman of W. H. Smith, yesterday.

For Our Price, which made a successful stock market debut two years ago, the move ensures finance is available for further expansion of the company's 130 stores.

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General Instrument asset sale

By Our New York Staff

GENERAL Instrument, the US electronic components, semiconductors and cable television equipment group, said it had agreed to sell its European computer keyboard, keyswitch, switchlight and surge arrester business, and a manufacturing plant in Cambrai, France, to Pendar S.A.R.L. of Paris.

The New York-based group, which declined to give detailed terms of the agreement, said the businesses have annual revenues of between $5m and $10m. Their sale represents another step in General Instrument's restructuring programme, unveiled last year, which has already led to the sale, closure and consolidation of several other businesses.

General Instrument took pre-tax charges totalling $87.8m in its fiscal third quarter ending December 1 to cover restructuring and other costs

Deutsche Bank to maintain payout

By Our Frankfurt Staff

DEUTSCHE BANK, West Germany's biggest bank, is maintaining its dividend at DM 12 ($5.2) a share after another buoyant performance last year.

The decision to hold the dividend was widely expected because the rate is already considered relatively high and because the dividend will be paid in full on shares arising from the rights issue last November.

The bank said yesterday that as the recently issued shares qualified for a full year's dividend, the payment was equivalent to a dividend rise to DM 12.72 a share.

Dresdner Bank, West Germany's second largest bank, announced last month that it would raise its dividend for last year to DM 10 a share from DM 7.50 in 1984.

Commerzbank announced earlier this year that it proposed to increase its dividends to DM 8 a share from DM 6 in 1984. This decision was confirmed yesterday by the bank's supervisory board.

Nestlé raises dividend 6.8%

By William Dullforce in Geneva

NESTLÉ, the Swiss foods group, proposes to raise its shareholders' dividend by 6.8 per cent after disclosing yesterday a 25 per cent increase to SFr 592.9m ($296m) in the holding company's profit last year.

It had earlier reported a 17.7 per cent climb in consolidated net earnings to SFr 1.75bn and a 36 per cent growth in group sales to SFr 42.2bn, swollen by the incorporation last year of Carnation, the US processed foods company.

The board proposed yesterday that SFr 95m be allocated to the holding company's reserves and that dividends of SFr 145 a share and SFr 29 a bearer participation certificate be paid.

Ralston Purina buys Carbide battery unit

BY OUR FINANCIAL STAFF

RALSTON PURINA, the world's largest producer of dry pet foods, is making a major diversification out of its traditional businesses with the purchase for $1.4bn of Union Carbide's battery products unit.

The deal, announced late on Monday night, is part of Union Carbide's restructuring, which earlier this week brought the announcement of 1,200 more job cuts and plans to divest a further $1bn in assets.

Carbide's battery division, the world's biggest source of consumer dry batteries, has been up for sale for some time, and interested parties are known to have included Hanson Trust of the UK.

Included in the sale are batteries and other lighting products under trade names such as Eveready and Energiser. The businesses being sold, which do not include the battery products unit of Union Carbide India, employ about 16,000 people.

Ralston, founded in 1894, produces consumer products such as cereal and canned tuna, and is also the world's largest producer of feed for livestock and poultry. In September 1984, it paid $475m for Continental Baking, the ITT division whose products include Wonder Bread, Hostess cup cakes and Twinkies.

In September, Ralston sold its Foodmaker restaurant business for $450m, and the company has for some time been looking for acquisitions.

Ralston had sales of $5.86bn and net earnings of $256.4m in the year ended September. The new battery business had sales of more than $1bn last year.

Carbide's battery business is the largest of three consumer products units put up for sale in January as part of the successful strategy to fend off the bid from GAF, a US building materials and chemicals group. Negotiations are continuing for the sale of the other two businesses, home and automotive products.

Mr Warren Anderson, Carbide's chairman, said the sale of the battery division was a major step in the company's plan to sell its consumer products businesses, for which analysts have estimated that the company might raise a total of $2bn to $2.5bn.

The pre-tax proceeds from the sales are expected by Carbide to exceed book value of the businesses of about $1.1bn, and the company intends to distribute the difference to shareholders.

Ralston's shares responded strongly to the announcement of the deal in early trading yesterday, rising $3 to $61¼. Carbide's shares were up $½ at $21.

Canada will debate Imasco bid for Genstar in parliament

BY ROBERT GIBBENS IN MONTREAL

THE CANADIAN Government has agreed to a parliamentary debate without delay on the proposed C$2.4bn (US$1.8bn) takeover of Genstar and its Canada Trust subsidiary by Imasco, a fast food, tobacco products and retailing group with operations in Canada and the US.

The Government's move blunted an attack on the Imasco bid by a group of MPs claiming that takeovers of financial institutions by conglomerates could lead to a conflict of interest and undue risks for depositors' funds. The MPs wanted the Imasco deal frozen until the parliament had studied the concentration of control in the financial services industry.

The Government also tabled draft legislation covering federal trust and loan companies. This would allow it to block the acquisition of more than 10 per cent of a trust company.

The Government agreed to a speedy debate on the Genstar-Imasco deal before the expiry date of April 25 but made no commitment to halt it as the Commons finance committee called for earlier.

The Canadian Bankers' Association has added its weight to arguments that trust companies should be subject to the same 10 per cent ownership limit as the chartered banks to reduce potential conflicts of interest.

Imasco, 44 per cent owned by BAT Industries of Britain, is buying Genstar, a financial services, building materials and real estate group for C$2.4bn in a deal endorsed by the Genstar board.

The non-financial assets of Genstar would be spun off leaving Imasco with Canada Trust its target, and a large stake in the Canadian financial services industry.

Genstar stock fell by two points to C$54¾ yesterday morning, reflecting some doubts about the deal prospects. However, analysts comparing this price with the underlying value of Genstar and the C$58 bid by Imasco estimate Imasco still has a 65 per cent chance of getting its deal through.

Mr Don Blenkarn, chairman of the Commons finance committee, went so far as to predict that the Government will not approve the Imasco takeover of Genstar in its present form.

INTL. COMPANIES & FINANCE

Control Data accounts qualified by auditors

BY PAUL TAYLOR IN NEW YORK

CONTROL DATA, the financially troubled Minneapolis computer group, said its auditors had qualified its 1985 financial results because of uncertainties over the group's borrowings.

Peat Marwick Mitchell, the auditors, noted in a Control Data Securities and Exchange Commission filing that, although $380m in borrowings are being restructured with a group of bank lenders, Control Data's management "does not expect that cash to be generated from operations and asset dispositions that are presently planned will be sufficient to repay the bank borrowings and other liabilities and contingent obligations as they become due during 1986."

Control Data, which is in the process of a large restructuring programme after huge losses last year, had earlier indicated that it expected asset sales, including the proposed sale of its Tickertron electronic ticketing unit, to satisfy its bank lenders' debt restructuring requirements.

However, its auditors said yesterday that in addition to restructuring its bank borrowings and other obligations successfully, the company must obtain additional financing. "Failing this further asset dispositions will be required," Peat Marwick said.

Control Data, plagued by problems, particularly in its peripheral products operations, reported a net loss of $567.5m last year including $247.8m in special charges. The group is negotiating the sale of its Tertron unit to Allen & Co, the Wall Street company.

Control Data said negotiations over the sale of Tickertron were continuing and added it had not set any further plans for asset disposals.

Italian transport group to seek listing after trebling profits

BY ALAN FRIEDMAN IN ROME

ANSALDO, the Genoa-based Italian state engineering and urban transport systems group, which is 94.5 per cent owned by the IRI-Finmeccanica holding group, yesterday announced more than trebled 1985 net profits of L20bn ($12.4m).

The profit is still modest on 1985 consolidated group turnover of L2,400bn, up 30 per cent.

Mr Gio Batta Clavarino, Ansaldo's chairman, said in Genoa yesterday that he hoped to bring the group to the Milan bourse within the next year. In any case, he said, Ansaldo Transporti, the subsidiary which makes urban transport systems and represents 15 per cent of turnover, would seek a stock market listing this year.

Ansaldo has reduced its workforce from 20,000 to 15,000 in the past two years and says its group debt of L1,111bn in 1983 has been completely eliminated. The Genoa company says it has an order book with L7,227bn worth of contracts, half of which were acquired in the first quarter of this year.

Some 28 per cent of Ansaldo turnover comes from ouside Italy, aside from IRI-Finmeccanica, the Fiat group owns 2.5 per cent of Ansaldo.

● Olivetti, Italy's leading office automation group, last night announced the purchase for an undisclosed price of Bunker Ramo Banking Operations of Connecticut, the banking automation division of the New York based ADP group. Bunker Ramo makes and sells bank terminals and had 1985 turnover of $56m.

Record profits for Norske Shell

By Fay Gjester in Oslo

NORSKE SHELL, the Anglo-Dutch oil group's Norwegian offshoot, yesterday announced record profits for 1985, mainly reflecting a surge in its crude oil output after the startup of production on Statfjord C, the third platform on the Anglo-Norwegian Statfjord field. The company has an 8.4 per cent stake in the field.

Norske Shell increased its share of the Norwegian oil products market to 25.3 per cent last year from 24.4 per cent in 1984. Most of the increase was due to the acquisition of a small oil products marketing company in western Norway.

Norske Shell's refinery at Sola, near Stavangar, operated profitably and at full capacity throughout the year, exporting 30 per cent of its output to other European countries.

Profits before tax and end-year allocations more than doubled to NKr 2.86bn ($391m) from NKr 1.387bn in 1984. But with tax taking a far larger slice – NKr 1.76bn against NKr 383m a year earlier – net profit was up only NKr 186m to NKr 734m.

The company said prospects for the future were highly uncertain because of the "extremely unstable situation on the world crude market."

Despite the uncertain climate, the company planned to continue its exploration and production activities and will "bid actively" for new licences in Norway's next round in the autumn.

Bell and Adsteam face insider suits

BY LACHLAN DRUMMOND IN SYDNEY

BROKEN HILL Proprietary (BHP) has issued writs against the Bell and Adelaide Steamship groups alleging insider trading in BHP shares, the remedy sought includes the forced disposal of the 235m BHP shares, worth A$1.6bn (US$1.15bn), owned by the two.

If BHP wins its initial Supreme Court action, it would cause a potentially damaging delay to Bell's partial bid for BHP, launched on Monday. If ultimately successful, it could stop any efforts by Bell in their tracks.

The insider trading provisions preclude parties dealing in shares when they are in possession of information not generally available which would be likely to affect the price of those shares.

BHP's claim rests on the Bell and Adsteam groups having entered put and call options covering 70m BHP shares last April. It alleges that subsequent dealings, without any disclosure of the option agreement, resulted in the two parties engaging in insider trading.

BHP contends that had the existence of the options over almost 7 per cent of its capital been known to the market, it would have materially affected the price of BHP shares.

The writs issued in the Victoria Supreme Court name all Bell group companies and Mr Robert Holmes à Court, its chairman, as well as all the Adsteam companies and Mr John Spalvins, its chief executive.

Mr Spalvins said last night: "Clearly the charges have no basis and we will deny them strongly." Mr Holmes à Court was unavailable for comment.

It is understood that BHP has received considerable encouragement to pursue the action from a number of major institutional shareholders who were sellers of BHP shares last year.

The option agreements became public last October when the combined entitlements of the two groups to BHP shares reached the 10 per cent disclosure level.

As remedies, BHP is seeking an order restraining the parties from dealing in the shares, exercising any voting or other rights, and directing BHP not to make any payments due from it on the shares.

It is also seeking an injunction requiring the parties to dispose of all their shares or for the shares to be vested with the National Companies and Securities Commission. In addition it seeks an accounting of all profits arising from trading in the shares, with these profits to be paid to BHP.

At the time of writing its option agreement, Adsteam did not have the shares to meet the option, but by October last year had assembled 96m shares in BHP.

Hooker bids A$206m for Email

By Our Sydney Correspondent

HOOKER CORPORATION, the Australian property group, has launched a A$206m (US$147.9m) bid for Email, the white goods and building products combine which is currently bidding for Simpson Holdings, a rival in the household durables sector.

The A$2.20 a share offer is at the market price, which has risen 40 cents since Hooker emerged with an initial 12.5 per cent stake three weeks ago, bought at A$1.90 a share.

Part of its hopes for success rest with Hooker's ability to overturn a planned placement by Email to fund its intended A$53m takeover of Simpson.

The share placement would increase the "friendly" groups on its register from around 40 per cent to almost 50 per cent and dilute Hooker's current holding from 17.5 per cent to 15 per cent.

Hooker wants the takeover of Simpson to proceed, but believes a rights issue would provide a more equitable means of funding.

Hooker's bid is for all of Email and has no minimum acceptance condition. With the offer representing only eight times forecast net earnings of A$26m for the year to March just ended—and with its defensive shareholdings—Email's advisers are more perplexed than concerned by the bid.

The bid comes the day after the US-owned Hoover, Email's rival for control of Simpson, was knocked out of the running by the Foreign Investment Review Board.

Hover believes it may have a chance of buying the combined Email white goods business from Hooker should the property group's bid succeed.

Evergreen confident of brighter times ahead

Andrew Fisher, recently in Taipei, reports on prospects for Asia's top container shipping lines

BUSINESS HAS picked up smartly in recent months for Asia's big container shipping lines, removing some of the pessimism that pervaded the market at the turn of the year.

But the renewed surge in cargoes across the Pacific to the import-hungry US by no means amounts to a bonanza for the industry, though lower oil prices have also given owners a much-needed fillip.

Three key worries remain: more ships are due to be delivered onto an over-tonnaged market; freight rates are abysmally low compared with two years ago; and some companies are still in severe financial trouble.

One which appears more relaxed than most about the outlook is Evergreen, the privately owned Taiwanese group which has spent some $1.5bn in the past four years to make itself the world's biggest container shipping group.

"Suddenly, things have become very strong," says Mr C. L. Lim, president of Evergreen International, which looks after the worldwide shipping interests of the group.

With three more large ships to be delivered from Japan this year and four in 1987, Evergreen is nearing the end of its expansion phase, a relief to some of the company's hard-pressed rivals.

"Now we are looking at consolidation rather than expansion," adds Mr Lim. The company plans to sell or scrap some of its older vessels.

Despite the size and pace of its recent growth, Evergreen has a cautious management approach, instilled by the example of Mr Y. F. Chang, the founder and chairman. "We do nothing that we are not sure of," notes Mr Lim.

Also waiting to take delivery of new vessels is Orient Overseas (Holdings), the quoted arm of the C. H. Tung group, whose banks are now agonising over how to restructure some $2bn of debt.

The Hong Kong-based Orient Overseas shares, which have been suspended since September, also has a Taiwan connection. A Tung family company there—China Maritime Transport (CMT)—has seven ships on charter to Orient Overseas and the country is its largest source of cargoes.

Restructuring proposals, likely to involve conversion of some debt into equity, will be put to creditor banks of the Tung companies later this month. Orient Overseas has annual freight revenues of US$700m and cash flow of $70m before loan repayments.

It was an inter-company loan of $165m by Orient to the private side of the Tung empire that pulled the container company into the same financial mire as the rest of the over-extended group.

But a firm helping hand has been extended with the promise of $120m from Mr Henry Fok, a local businessman who has strong political and business links with China. Some $20m will go towards paying debt on the ships under construction.

Mr Fok has said the money will be available in September, if a full restructuring programme has been implemented. He is likely to end up with about 35 per cent of the future equity. In view of his Chinese connections, the future position of CMT will be intriguing.

The Tung family interest in Orient Overseas will be heavily diluted, though it will probably retain CMT, which used to manage Orient's container ships. With the new vessels, Orient will have a modern fleet suited to the competitive needs of the Pacific and other key markets.

Orient Overseas and Evergreen each have new ships with a capacity of nearly 3,000 TEU (20 foot equivalent units, the standard measurement). Each is hopeful that freight rates will move up now that cargoes have improved.

With the jump in capacity, to which Evergreen was a major contributor with its new ships and global services, rates slid by 25 per cent in the last quarter of 1985 alone. Its main round-the-world rival is United States Lines, which has also invested heavily.

Conference lines, which agree rates and schedules, have set a 15 per cent rise from mid-April and a 30 per cent increase for the full year. Evergreen, however, pulled out of the Asia North America Eastbound Rate Agreement (ANERA).

While accepting that rates need to rise, Evergreen disagreed with Anera's tight rules on service contracts with cargo shippers. It needs higher rates to keep net income up to last year's $77.4m ($5m up on 1984). Under government pressure, it is also preparing to float 20 per cent of its stock.

Since Evergreen produces no balance sheets for outsiders and only the skimpiest profit figures, analysis of performance is tricky. But its finances seem healthier than those of US Lines, which lost $67m last year.

As well as new ships, Evergreen has spent heavily on its inland terminal and on containers to fill it. At its factory in Taipei, new containers roll off the production line every 25 minutes. Their colour? Green, like everything else associated with the group.

Chemical Bank, Pao in venture

BY DAVID DODWELL IN HONG KONG

CHEMICAL BANK of the US, with Bank of China and a company controlled by Sir Yue-Kong Pao, the leading Hong Kong shipowner, are due on Friday to announce details of a joint venture aimed at boosting US investment in China.

The venture will operate as a merchant bank as well as offering investment consultancy services. It will be the third such group set up recently in Hong Kong.

Chemical Bank and Bank of China will each hold a 35 per cent stake in the joint venture while Hongkong and Kowloon Wharf, Sir Y.K.'s property group, will hold 30 per cent. The venture will be capitalised at U.S.$3m.

While Sir Y.K. has chosen his publicly-quoted property company as the vehicle for his involvement in the venture, it is understood that this implies no bias towards property development projects.

He has close diplomatic links with leaders in Peking, in China's shipping sector, and with officials in Ningbo and Shanghai on China's eastern seaboard, where he was born and educated. He is involved in the venture because of these political links rather than any commitment to boost his personal investment in China.

Among US banks, Chemical Bank is one of the most closely involved in China's development. It brings to the venture strong links with middle-sized US companies, few of which have the resources independently to evaluate investment opportunities in China.

The venture will be competing with CCIC Finance, a merchant banking joint venture set up five years ago by the First National Bank of Chicago, Industrial Bank of Japan, Bank of China, and the Hong Kong-based China Resources as well as China Investment and Finance, set up late last year as a joint venture between the Royal Bank of Canada and China International Trust and Investment Corporation (Citic).

Rauma-Repola earnings show slide of 30%

By Olli Virtanen in Helsinki

RAUMA-REPOLA, the Finnish metal and forest industry group, has reported a 30 per cent decline in profits before appropriations to FM 267m ($54m) for 1985, on sales which increased by 8 per cent to FM 7.99bn.

Mr Antti Potila, the president, said the result was satisfactory considering the difficult global trends in marine and forest sectors.

The Shipbuilding and offshore division, traditionally, the biggest unit at Rauma, lost its position as net sales fell 11 per cent to FM 1.9bn. This was due to an almost total lack of orders from the West, while the Soviet Union deferred orders for ships from Rauma. The division delivered 10 vessels during 1985.

Engineering became the leading division with a 42 per cent increase in sales to FM 2.2bn. This was achieved through increased sales of wood-processing end forest machines as well as valves.

Japan's electric utilities lift spending

BY YOKO SHIBATA IN TOKYO

JAPAN'S NINE leading electric utilities intend to invest a total of Y3,474.8bn ($19bn) on new plant and equipment in the year to next April, up 14.2 per cent. The higher level is expected to be maintained for the 1987-88 year.

Industry officials said the plans were in line with a government request to boost capital outlays, and represented rises of Y205.2bn and Y218.2bn on the initial spending plans for 1986 and 1987 respectively.

The companies have also accepted the Government's request to increase equipment repair expenses by Y74bn for the second half of fiscal 1985, Y96.6bn for the whole fiscal 1986 and Y95.1bn for fiscal 1987.

Adding a prospective Y321.5bn outlay for equipment investment and repair expenses in fiscal 1986, the nine companies' spending increase is due to surpass the government target of Y1,000bn to reach Y1,010.6bn.

New Straits Times slips

BY WONG SULONG IN KUALA LUMPUR

NEW STRAITS TIMES, Malaysia's largest newspaper publishing group, has reported a pre-tax profit fall of 53 per cent to 12.9m ringgit ($4.9m) for the six months to February, hit by declining advertising and circulation revenues as well as higher operating costs.

The interim dividend is cut from 12 cents to 9 cents per share. Turnover fell 3 per cent to 90.7m ringgit, and net profits were 54 per cent lower at 6.6m ringgit.

The fall in profit was more severe than had been expected. Daily circulation, which was close to 200,000 copies two years ago, has fallen to around 160,000. The directors say second-half profits are expected "to be about the same as those of the first half."

New Straits Times is controlled by Kumpulan Fleet, the powerful investment arm of the United Malays National Organisation, the ruling political party in Malaysia.

David Lascelles visits a UK merchant bank's Los Angeles team

Kleinwort puts its stamp on swaps

LOS ANGELES does not readily spring to mind as one of the world's great financial centres. But on the 29th floor of a downtown office block is to be found a company that has made a big mark in one of the most hectic and fast-growing parts of the international capital markets business: swaps.

It is Kleinwort Benson Cross Financing Inc., a tiny but professional team of bankers and dealers which is part of the UK merchant bank's already substantial presence in the US market, and its ambitions to be a global investment bank.

Kleinworts established the business two years ago after luring the swaps team from First Interstate Bank, the big California bank headquartered a few blocks down the street. Since then, it has secured a leading position in a market where most of the major players are multi-billion dollar commercial and investment banks like Citibank, Morgan Guaranty and Salomon Brothers.

The team is headed by Mr Kenneth McCormick, a tall, soft-spoken 35-year-old who first became interested in the swap business when he was First Interstate's treasurer. Like all successful trading units, Kleinworts team is tight-knit, consisting of only nine people, including the legal and accounting specialists who are essential in this complex business.

"Swaps are now so widespread that you have to be in it to succeed in the cash markets," said Mr McCormick, whose swap book currently totals $12bn on a capital base of $40m.

Mr Kenneth McCormick: tiny bits of money on big deals

Swaps are what their name implies. Issuers of securities swap them with other borrowers in order to switch, for example, from fixed rate financing to floating rate, or from one currency to another. The market exploits the varying terms available to borrowers in different markets, and has added a whole new dimension to the financing options available to creditworthy names.

The ability to arrange swaps is essential for any investment house aiming for the top ranks. One of the keys to success is having a broad range of contacts in the market, though as people become more aware of swaps, the business has become more open and competitive, and "swapability" is now a factor in the pricing of securities issues.

Houses can arrange swaps in at least two ways, either by acting as an agent bringing the two swapping parties together and collecting a fee, or by taking the securities on to their own book and making a profit from the differentials. This is riskier because of the danger of default by one of the parties, but more frequent.

Kleinwort has concentrated on dollar interest rate swaps, where it claims to be among the world's top ten, and the largest non-US house.

Last year, it transacted over $8bn of swaps. According to the group's annual review, this capability enabled it to lead or co-lead manage 30 securities issues, of which 22 had related swaps for customers like IBM, GMAC, Dart and Kraft and the Kingdom of Denmark. This year, the Los Angeles team expects to expand into currency swaps. It has also pioneered variations such as options on swaps.

"It is a highly competitive market, and there is constant pressure on spreads," said Mr McCormick. "You're battling for tiny bits of money on top of big transactions."

Last year the group made a net profit of $5m, and expects further growth this year. Kleinwort accounts conservatively for its swap earnings: it only recognises those that have accrued, not those that have been locked in for future years.

Since the swap market got going, there have been about 10,000 swap transactions totalling about $200bn, Mr McCormick estimates. This gives an average size to swaps of about $20m. But since only top quality borrowers have access to the market, the credit risks are small. Mr McCormick says there have been "only three or four serious problems, a dozen scrimmages and one court test."

The Los Angeles group's book is growing at about $500m a month. Kleinwort has the capital to expand it faster, but is proceeding cautiously until the regulatory position on swaps becomes clearer. Being part of a UK banking group, KB Cross Financing will have to take account of whatever capital ratios are established by the Bank of England, which is still studying the whole question of swaps. In the meantime, Kleinwort has set its own self-imposed rules under which the swap operation is geared up about 20 times.

While operating from Los Angeles means Mr McCormick and his people have to get up at the crack of dawn each day to catch the tail end of the London market and most of the action in New York, they seem set to stay there. With modern communications, location has ceased to be relevant and there are much worse places to make your home than southern California.

Groupe Victoire plans FFr 1.4bn cash call

BY DAVID MARSH IN PARIS

GROUPE VICTOIRE, the big French private sector insurance company, is raising FFr 1.4bn ($184m) in non-voting preference shares (certificats d'investissement) to boost its financial resources for possible acquisitions.

The group has been thought likely in recent months to try to profit from share purchase opportunities which could arise from the new government's plans to denationalise leading banks, insurance companies and industrial groups over the next few years.

Mr Philippe Charayre, chairman of Compagnie Financiere du Groupe Victoire, although not ruling out taking a stake in a bank, refused to comment on the likelihood of buying holdings in groups now owned by the state.

Compagnie Industrielle is the major shareholder with 48 per cent. This holding group chaired by Mr Jack Frances, a former managing director of the nationalised Compagnie Financiere de Suez. Mr Frances has long been thought likely to try to buy back a stake in Suez when the group is eventually denationalised.

Suez itself — as a result of links with Victoire going back before its nationalisation by the Socialist government in 1982 — owns 34 per cent of Victoire, and has an 18 per cent stake in Compagnie Industrielle.

Both leading shareholders will take up only a small part of the Victoire issue, leaving most of it to be sold to the public. This provides a means of bringing in outside capital to the company and gaining from the strong showing of the French bourse without changing Victoire's voting structure.

The Victoire operation represents the first time that a privately held French company has issued *certificats d'investissement*, which have been used by a number of state owned banks and industrial groups to bring in outside capital over the last two years.

The certificates will be sold at FFr 2,400 each between April 16 and May 16.

News of the Victoire fund raising comes as members of the Rothschild family, whose bank was nationalised by the Socialists in 1982, are putting together an investment fund which could also be used to take stakes in companies to be denationalised.

The fund, likely to have an initial capital of FFr 200m to FFr 300m, forms part of the plans of Mr David Rothschild, former president of Banque Rothschild, to extend his comeback on to the French banking scene.

Pallas sells Dillon holding

By Alexander Nicoll

PALLAS GROUP, the financial house established two years ago by Mr Pierre Moussa, the former Banque Paribas chairman, is selling to Societe Generale de Belgique its half share in the London arm of Dillon Read, the New York investment bank.

Mr Moussa will, however, remain chairman of the London firm, Dillon Read Ltd, and the close ties between Pallas and Dillon will be unaffected.

For the Belgian bank, the move represents a strategic step into international investment banking. It is appointing Mr Philippe Muûls as managing director of Dillon Read Ltd. The purchase price of the 50 per cent stake is not disclosed.

Mr Pierre Moussa: to remain chairman at Dillon, Read Ltd

Mr Lorenzo Weisman, managing director of Dillon Read in New York, who will stay as president of the London firm, said yesterday that Dillon Read will remain investment adviser to Pallas.

Dillon Read Ltd, in addition to providing corporate finance and investment advisory services, is active in issuing and trading European equities. It and Pallas have recently set up jointly a FFr 900m fund in France to invest in French equities, and the two companies are co-operating on a similar fund to invest in France from the US.

Hilti prepares first public offering

By John Wicks in Zurich

HILTI, the Liechtenstein manufacturer of fastening systems for the construction industry, is to offer shares to the public.

Shareholders will be asked to approve the issue of 300,000 participation certificates without drawing rights. The issue price for these SFr 50 certificates, which will be listed on the over-the-counter market in Zurich, Basle and Geneva, is to be announced on the following day.

This will be the second Liechtenstein company to introduce its shares to the stock exchange. Verwaltungs- und Privat bank listed its registered and B registered shares in Zurich in 1983. The principality itself has no stock exchange.

Hilti, a leading international producer in its own sector, last year booked sales of some SFr 1.5bn ($746m). Cashflow, which rose by one-third in 1984 to SFr 86.5m, was up again in 1985, as were net profits (1984: SFr 32.4m).

Hitherto, the Hilti family has held the entire equity, currently comprising SFr 40m share capital and SFr 25m participation-certificate capital. Since participation certificates are not equipped with voting rights, the family will continue to exert full control over the company.

Nestle set to lift dividend as profits rise

By William Dullforce in Geneva

NESTLE, the Swiss foods group, proposes to raise its dividend by 6.8 per cent after disclosing yesterday a 25 per cent increase to SFr 592.3m ($296m) in the holding company's profit last year.

It had earlier reported a 17.7 per cent climb in consolidated net earnings to SFr 1.75bn and a 36 per cent growth in group sales to SFr 42.2bn, swollen by the incorporation last year of Carnation, the US processed foods company.

The board has proposed that SFr 95m be allocated to the holding company's reserves and that dividends of SFr 145 a share and SFr 29 a bearer participation certificate be paid. This compares with the dividend of SFr 135.80 in 1984.

After last year's issues of 100,000 new registered shares and 1m participation certificates, which went to finance the purchase of Carnation, the total pay-out amounts to SFr 493m, up by 17.1 per cent.

Base rate cut gives boost to Eurosterling bonds

BY CLARE PEARSON

A HALF point cut in base lending rates by UK clearing banks, on the back of lower money market rates and the recent strength of sterling on the foreign exchanges, yesterday infused new life into Eurosterling bonds.

Enterprise Oil launched a £50m seven-year bond offering the investor a coupon of 10 per cent, the highest rate seen on a new conventionally-dated issue for some weeks. With a par issue price the bond yielded at issue, taking in fees of 1⅞ per cent, a margin of 115 basis points over comparable gilts. Lead-manager J. Henry Schroder Wagg reported a bid price of less 1⅞ yesterday afternoon.

Secondary market prices firmed by up to half a point, and recent issues, some of which had been seen as extremely aggressively priced, began to look healthier.

The Ecu sector continued to benefit from the European Monetary System realignment last weekend, creating lower yields in the devalued currencies. Yields on 10-year bonds sank below 7 per cent for the first time.

Into these lively waters Banque Nationale de Paris launched on its own behalf a seven-year deal for Ecu 100m. Its coupon of only 7⅛ per cent looked slightly aggressive, especially in view of the borrower's call option after five years, although also in line with bullish market sentiment. The bond was quoted within fees of 1⅞ per cent.

Monday's firm tone in the French Franc Eurobond market continued and secondary prices moved higher by about ½ point. As expected, the second new issue of the April calendar, for the Republic of Finland, was brought to the market by Banque Nationale de Paris. The FFr 400m 10-year bond which pays interest at 7⅞ per cent traded above the issue price of 100⅛.

The D-mark markets benefited from a fall in the value of the dollar against the D-mark and secondary Eurobond prices showed gains of up to ½ point at the close.

City of Montreal issued a DM 150m 12-year bond with a coupon of 5⅞ per cent, led by Westdeutsche Landesbank Girozentrale. Deutsche Bank brought Industrial Bank of Japan to the market with a DM 200m 10-year bond, paying interest at 5⅞ per cent. The issue price was 99⅞.

Both bonds were quoted well within their fees yesterday afternoon. Although some traders felt there was resistance to less-well known bank names, Monday's issues for Westpac and PK Banken were also quoted within fees.

Prices in the Swiss Franc market rose by ¼ point on average volume. The issue for Kansai Electric, launched last week, had its maturity extended from 10 to 12 years.

Trading in dollar Eurobonds was quiet, with small-scale retail activity predominating as professionals preferred to stay on the sidelines, worried by the volatility of the New York market. New issuing activity, therefore, continued muted.

General Electric launched a $300m five-year bond, which is extendable at the borrower's option till 2006. The investor is protected by means of put options which may be activated from 1991. The coupon is 7⅞ per cent and the issue price 101⅞. Lead manager Yamaichi International (Europe) reported a bid price of less 2⅛, outside the 1⅞ per cent fees.

Lincoln Savings and Loan Association issued a $100m floating rate note. As with previous issues by savings and loans institutions, the debt is collateralised with US Government securities and cash to provide a triple-A rating by Moody's Rating Service.

The bond pays an initial coupon until June this year of ⅛ point above two- or six-month Libor, whichever is the higher, to give the investor protection from the downward slope of the yield curve. Afterwards, interest payments will be at ⅛ point over six-month Libor, with a minimum of 5⅛ per cent. There are call features on every interest payment date and an investor's put after 10 years.

Lead manager Banque Paribas Capital Markets quoted the bond within fees of 40 basis points at 99.70 bid.

Two Japanese borrowers launched small equity-related issues. Trio-Kenwood, the hi-fi company, issued a $50m bond with an indicated coupon of 3⅛ per cent, maturing in 1991. Lead manager was Nomura International. Maruzen, the book and office equipment retailing concern, issued a $30m bond with the same indicated coupon and life. Nikko Securities led this deal. Final terms will be fixed on April 14 and 15 respectively.

Despite the slight downturn in prices of Japanese equities recently, both issues were accorded the usual welcome from the market that Japanese equity issues encounter. Both were quoted at 109 bid, against par issue prices.

The Australian dollar sector received renewed attention from borrowers.

CSR, the Australian sugar and diversified company, launched a A$40m seven-year bond incorporating the novel feature, for an Australian borrower, of payment in Australian dollars. Through a foreign exchange transaction, the borrower will receive US dollars, so that the prohibition on payments in Australian dollars will be by-passed.

Lead-manager Hambros Bank said that this feature had enabled the terms on the issue to be tightened from those that would otherwise have been appropriate.

The coupon is 13⅛ per cent. Hambros reported strong initial demand.

FT INTERNATIONAL BOND SERVICE

Listed are the 200 latest international bonds for which there is an adequate secondary market. Closing prices on April 8

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amoco Co. 9⅞ 16	200	[illegible]	[illegible]	[illegible]	[illegible]	9.46
Atlan. Richfield 10⅞ 00	250	[illegible]	[illegible]	[illegible]	[illegible]	9.02
Australia Com. 11⅛ 95	200	[illegible]	[illegible]	[illegible]	[illegible]	8.12
Australia Com. 11⅝ 00	100	[illegible]	[illegible]	[illegible]	[illegible]	9.73
BP Capital 9⅞ 94	100	[illegible]	[illegible]	[illegible]	[illegible]	8.45
BP Capital 11⅞ 92	100	[illegible]	[illegible]	[illegible]	[illegible]	8.61
Campbell Soup 10⅞ 95	100	[illegible]	[illegible]	[illegible]	[illegible]	9.29
Canada 9 96	1000	[illegible]	[illegible]	[illegible]	[illegible]	7.83
Canada 11⅞ 90	500	[illegible]	[illegible]	[illegible]	[illegible]	7.59
Canadian Pac. 10⅞ 93	100	[illegible]	[illegible]	[illegible]	[illegible]	8.78
CEPME 10⅞ 91	100	[illegible]	[illegible]	[illegible]	[illegible]	8.15
Chicorp 10 98	200	[illegible]	[illegible]	[illegible]	[illegible]	7.87
Citicorp 10⅞ 95	100	[illegible]	[illegible]	[illegible]	[illegible]	8.80
Credit Lyonnais 9 91	200	[illegible]	[illegible]	[illegible]	[illegible]	7.87
Credit National 9⅞ 91	150	[illegible]	[illegible]	[illegible]	[illegible]	7.97
Denmark Kgdm. 11⅞ 99	100	[illegible]	[illegible]	[illegible]	[illegible]	7.82
Denmark Kgdm. 11⅞ 90	100	[illegible]	[illegible]	[illegible]	[illegible]	7.94
EDC 9⅞ 92	100	[illegible]	[illegible]	[illegible]	[illegible]	8.11
EDF 9⅞ 96	225	[illegible]	[illegible]	[illegible]	[illegible]	7.80
EDF 10 95	200	[illegible]	[illegible]	[illegible]	[illegible]	8.49
EEC 8⅝ 91	150	103⅞	104⅜	+0⅛	−0⅛	7.59
EEC 9⅝ 90	350	105⅝	105⅞	+0⅛	−0⅛	8.06
EIB 10⅝ 94	200	110⅜	110⅞	+0½	−1⅞	8.50
EIB 12 96	200	122⅝	123⅛	+0⅛	−0⅛	8.28
Eli Lilly 10⅜ 92	150	112⅛	112⅝	+0⅛	0	7.73
Equit. Lrd. Rlty. 10⅞ 97	100	109⅝	110¼	+0⅛	−1½	8.06
Export Dev. Cpn. 10 90	100	108⅝	109⅛	+0⅛	−0⅛	7.53
Fed. Dep. Strs. 10⅝ 95	100	111⅝	111⅞	+0⅛	−0⅛	8.26
Ford Motor Crd. 10⅞ 91	150	108⅛	108⅝	+0⅛	−0⅛	8.47
Ford Motor Crd. 11⅛ 90	100	108⅝	108⅞	+0⅛	−0⅞	8.36
Gen. El. Cred. 10⅞ 00	200	106⅛	106⅝	+0⅛	−0⅛	9.40
GMAC 10⅞ 88	200	106⅛	106⅝	+0⅛	−0⅛	7.81
GMAC 10⅞ 92	250	108⅝	109⅛	+0⅛	−0⅛	8.43
IADB 9⅞ 95	200	110	110½	+0⅛	−1½	8.29
IADB 10⅝ 95	150	114⅝	110⅞	+0⅛	−0⅛	8.17
Kellogg Co. 10⅞ 90	100	107⅛	107⅝	+0⅛	−0⅛	8.46
Kellogg Co. 11⅛ 92	100	111⅛	111⅞	+0⅛	+0⅛	8.59
Nippon Cr. Bk. 10⅝ 95	150	114⅛	114⅝	0	−1	8.37
Pillsbury Co. 10⅛ 93	150	106⅛	106⅞	−0⅛	−1⅛	8.97
Proct & G. 'A' 8⅞ 92	150	105⅛	106⅛	+0⅛	−1⅛	8.64
Pru Realty S. 12⅝ 95	546	110⅞	117⅛	+0⅛	−0⅛	9.21
Qantas Airways 10⅝ 95	140	114⅛	114⅝	+0⅛	+0⅛	8.06
Queensld. Gvt. 10⅞ 95	100	113	113½	+0⅛	0	8.10
Ralston Purina 11⅞ 95	150	119½	120	+1⅛	+0⅛	8.53
Saab Scania 9⅞ 91	125	104½	105	+0⅛	−0⅛	8.25
Saskatchewan 10⅞ 92	100	112⅞	113⅜	+0⅛	−1⅛	7.87
Scandinavia Air 10⅞ 99	150	110⅞	111⅜	+0⅛	−0⅛	9.38
State Bk. S. Aus. 9½ 93	100	105½	106	+1⅛	+0⅛	8.12
Statoil 10 90	170	107½	108	+0⅛	−0⅛	7.80
S. Wales Trsy. 11⅛ 90	150	112⅛	112⅝	+1	−0⅛	8.04
Swed. Exp. Cred. 10 92	100	109½	110	+0⅛	−1	7.94
Sweden 8⅞ 95	200	105⅛	105⅝	+0⅛	−1½	7.93
Sweden 10⅞ 92	250	111½	111⅞	+0⅛	−0⅛	7.95
Sweden Kgdm. 10⅛ 90	200	110	110½	0	−0⅛	7.88
Sweden Kgdm. 11⅛ 94	100	116⅛	116⅞	+0⅛	−0⅛	8.69
Tenneco Cpn. 10⅞ 95	150	108⅛	108⅝	+0⅛	−0⅛	8.33
Utd. Tech. Fin. 10⅝ 95	100	111⅛	111⅝	+0⅛	−0⅛	8.74
Victorian Rep. 11⅞ 92	150	115⅝	116	+0⅛	−0⅛	8.23
World Bank 9⅞ 2010	300	109⅝	110⅛	+0⅛	−2⅛	8.35
World Bank 9⅞ 2016	300	112½	113	+1⅛	−1⅛	8.56
World Bank 10⅝ 95	300	114⅛	114⅝	+0⅛	−1	7.86

Average price changes... On day +0½ on week −0⅛

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bank 8 94	200	108⅛	108	+0⅛	0	6.60
Austrian Elec. 9½ 95	150	101⅞	102⅛	0	−0⅛	9.21
Copenhagen 7⅛ 95	150	104⅛	105⅛	−0⅛	+1⅛	6.80
Dow Chemical 8⅞ 95	300	104⅝	105⅛	+0⅛	+0⅛	6.05
EIB 6⅞ 95	300	106⅛	106⅝	+0⅛	+0⅛	5.97
EIB 7⅛ 94	300	105⅛	105⅝	−0⅛	−0⅛	6.40
Embert Coo. 6⅞ 95	175	101	101½	0	−0⅛	6.66
Ex. Im. Bk. Korea 7⅝ 90	100	101⅝	102⅛	+0⅛	+0⅛	7.07
Finland Republic 7 92	200	104	104½	0	−0⅛	6.30
Gould Int. Fin. 7⅝ 91	100	103⅝	104⅛	0	−0⅛	6.66
Heron Intl. Fin. 7⅛ 95	100	99⅞	100⅜	−0⅛	+1⅛	7.23
Hoesch Intl. Fin. 7 95	100	103⅛	103⅝	+0⅛	+0⅛	6.50
Ireland 8⅞ 92	150	108⅝	109⅛	+0⅛	+1⅛	6.33
I/S Elsam 6⅞ 93	125	99⅞	100⅜	+0⅛	+0⅛	6.72
Japan Fin. Con. 7⅛ 91	100	105⅛	106⅛	−0⅛	−0⅛	6.35
Mtsbshi M. 3½ 89 WW	100	107⅞	108⅜	−0⅛	+0⅛	0.89
Mtsbshi. M. 3⅞ 89 XW	100	91⅞	92⅛	−2⅛	−0⅛	5.53
Quebec Hydro 7½ 95	200	105⅞	106⅛	0	−0⅛	6.22
Renfe 7⅛ 95	100	105⅝	106⅛	0	+0⅛	6.92
Soc. C. Nuclear 7⅝ 95	150	103⅛	103⅞	−0⅛	−0⅛	6.71
Soc. C. Nuclear 6 91	100	107⅛	107⅝	+0⅛	+1⅛	6.28
S. African Tran. 7⅝ 92	100	96⅝	97⅛	+0⅛	+0⅛	8.22
World Bank 7 95	600	107⅛	107⅞	+0⅛	−0⅛	5.90

Average price changes... On day +0⅛ on week +0½

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Avon. Cap. Cpn. 5⅞ 94	130	†100½	101	−0⅛	−0⅛	6.26
Br. Land. Comp. 6⅞ 89	75	*†104⅛	104⅝	−0⅛	−0⅛	5.88
Chrysler 5⅞ 95	100	†102½	103	+0⅛	−0⅛	5.39
Council of Europe 6 92	120	†103	103½	−0⅛	−0⅛	5.40
Creditanstalt 5½ 94	100	†102⅛	102⅝	+0⅛	+0⅛	5.12
Oentsche Ak. F. 5⅞ 95	100	†105	105½	+0⅛	+1	4.63
Gen. Occidentale 4½ 94	80	†121⅛	121⅝	−3⅛	+1⅛	1.80
Glendale F. S&L 6⅛ 95	100	†99⅞	100⅜	+0⅛	+0⅛	6.60
Ind. F. Finland 5⅞ 94	40	†102	102½	−0⅛	+0⅛	5.41
Int. Am. Dv. Bk. 5⅞ 94	120	†103½	104	+0⅛	+1	5.56
N. Zealand Steel 5⅞ 96	70	†100½	101	−0⅛	−0⅛	5.65
Obaros. Kitwk. 5⅝ 96	100	†101⅛	101⅝	+0⅛	−0⅛	5.12
Olivetti Intl. 5½ 95	100	†103	103½	+0⅛	+0⅛	5.05
Pepsico 5⅝ 96	130	*†103½	103⅞	−0½	−1	4.74
Phibro-Salomon 5⅞ 97	110	†100⅞	101⅛	+0⅛	+0⅛	5.01
Ralston Purina 5⅞ 94	125	†102⅝	103⅛	+0⅛	+1⅛	4.93
Settsa Euro. 2001	100	*†53⅛	53⅝	0	0	4.30
Tokyo Elec. Pr. 5½ 93	120	†103½	104	−0⅛	+0⅛	4.83
Tokyo Metropolis 5⅞ 94	80	†102	102½	+0⅛	−0⅛	4.92
World Bank 5⅞ 94	150	†104½	105	−0⅛	+0⅛	5.06

Average price changes... On day −0⅛ on week +0⅛

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Denmark 6⅞ 96	10	100½	101	+0⅛	−0⅛	6.27
EIB 6⅞ 95	25	100⅛	100⅝	0	−0⅛	6.03
Postipankl 6⅞ 98	10	102½	103	+0⅛	−0⅛	6.25
Procter & Gamble 6 91	25	99⅛	99⅝	+0⅛	−0⅛	6.08
Swed. Exp. Crd. 6⅞ 96	10	102	102½	0	−1	6.30

Average price changes... On day +0⅛ on week −0⅛

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
A. & NZ Bk. 15⅞ 90 A$	50	**106⅝	107⅛	+0⅛	−0⅛	12.75
BMW Finance 13 90 A$	50	†104⅛	105⅛	+0⅛	+0⅛	11.56
Fiat Finance 14½ 89 A$	50	103⅛	104⅛	+0⅛	+0⅛	12.84
LB Schleswg. 14⅞ 91 A$	30	†104⅝	105⅛	+0⅛	−2⅛	12.63
Amex 10⅞ 90 C$	60	†106⅛	107⅛	+0⅛	+0½	9.71
Canad. Pac. 10⅞ 90 C$	75	106⅛	106⅝	−0⅛	+1	8.56
CIBC 10⅞ 90 C$	75	†103⅞	104⅛	−0⅛	+0⅛	9.58
Genstar Fin. 11⅞ 95 C$	75	†105⅛	105⅝	−0⅛	+0⅛	10.76
Montreal 11⅛ 95 C$	75	108⅞	109⅛	+1	+0⅛	9.96
Ryl. Trustco 10⅞ 90 C$	75	102⅛	102⅞	−1⅛	−0⅛	9.64
Sears Acc. 10⅞ 92 C$	75	†104⅛	104⅞	−0⅛	+0⅛	9.61
Coca-Cola F. 17 90 NS	75	104⅝	105⅛	−2⅛	−2⅛	15.22
Denmark 17⅞ 88 NS	60	†98⅞	99⅛	+0⅛	−0⅛	18.02
Unilever Cp. 17⅞ 88 NS	50	98⅞	99⅛	+0⅛	+1⅛	17.69
Copnhagn. C. 9 95 Ecu	40	111⅝	112	+0⅛	+1⅛	7.27
EIB 8⅞ 93 Ecu	180	†104⅞	105⅛	−3	−3	7.64
Walt Disney 8⅞ 94 Ecu	83	106⅝	107⅛	+0⅛	−0⅛	7.55
Honda WW 3⅞ 90 Fl	100	108⅝	109⅛	+0⅛	+3⅛	1.38
Honda XW 3⅞ 90 Fl	100	92⅛	92⅝	+0⅛	+0⅛	6.11
Thyssen 7⅛ 90 Fl	50	103	103½	0	0	5.37
Woraldhave 7½ 00 Fl	75	104	104½	+0⅛	+0½	6.33
Wessanen 8⅞ 90 Fl	50	103⅞	104⅛	0	+3	5.70
NERSA 9⅞ 95 FFr	500	†107⅛	107⅝	−0½	−0⅛	8.60
Amev 11 93 £	50	105⅝	106⅛	+0⅛	−0½	9.75
Australia Com. 11 92 £	40	105⅝	106⅛	+0⅛	−0⅛	9.73
GMAC UK F. 10½ 90 £	30	103⅞	104½	+0⅛	−1⅛	9.24
Imp. Ch. Ind. 11⅛ 95 £	100	107⅛	108⅛	+0⅛	−2⅛	9.93
Imp. Ch. Ind. 10⅞ 92 £	75	105⅛	105⅝	+2⅛	−0⅛	9.56
Leeds Bld. S. 10½ 91 £	50	101⅞	101⅞	+0⅛	+0⅛	10.10
McDonalds 10⅞ 90 £	40	103⅛	103⅞	+0½	−1½	9.73
Mtsbshi. F. HK 11 90 £	50	103⅞	103⅞	+0½	−0⅛	9.98
Nat'nwide BS 10⅞ 93 £	75	100⅛	100⅞	+0⅛	+0⅛	10.05
NSW Treasy. 10⅞ 92 £	50	103	103⅛	+0⅛	−1⅛	9.90
Royal Ins. 10⅞ 92 £	60	103⅛	103⅞	+0⅛	−2⅛	9.98
J. Sainsbury 10⅞ 93 £	60	103½	104⅛	+0⅛	−1⅛	10.05
Tricentrol XW 11 92 £	35	103½	109	+31½	+29½	9.06
Tsthse. Forte 11⅞ 90 £	50	103	103½	+0½	−1⅛	10.09
World Bank 11⅞ 95 £	100	111⅝	112⅛	+0⅛	−1½	9.26
COE 8⅞ 95 LFr	600	106	106⅛	0	+1⅛	8.06
N. Lux. Al. 10⅞ 92 LFr	600	103⅞	104	+0⅛	−0⅛	9.68

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn
Anglia Bldg. S. 5 96 £	0⅛	99.90	100.00	14/4	11⅛
Barclays Bank Perp. 1	§0⅛	100.29	100.39	19/8	8.06
Barclays Bank Perp. 2	§0⅛	100.96	101.19	10/7	8.05
Belgium, Kngdm. of 91	0	100.19	100.45	2/7	5⅞
BNP 5⅞ 95	0.06	100.11	100.41	14/8	8⅛
Britannia 5 93 £	0⅛	99.96	100.06	8/4	11½
CCF 5⅞ 97	0	99.35	99.45	5/4	8.06
Citicorp 5 2005	0⅛	99.33	99.43	27/3	8.04
Credit Lyonnais 9 2000	0⅛	100.21	100.45	10/7	8.06
EEC 3 92 DM	0	99.98	100.08	20/8	4.44
EEC 5 90	0⅛	100.07	100.27	8/7	8.06
EEC 5⅞ 93 Ecu	0.0312	99.93	100.23	30/4	8.91
Ireland 0⅞ 97	0⅛	100.25	100.35	28/2	8.44
Lloyds Bank Perp.	0⅛	100.18	100.39	9/9	8⅞
Midland Bk. Perp. S	0⅛	100.13	100.35	19/6	8⅛
Milk Mkt. Board 5 93 £	0⅛	99.96	100.06	17/6	12.31
NatWest Perp. A	§0⅛	100.17	100.37	9/7	8.31
NatWest Perp. B	§0⅛	100.21	100.41	9/8	8⅛
New Zealand 5 97 £	0.07	99.83	99.93	16/3	11.57
New Zealand 8 2001	0	100.24	100.34	4/8	8⅞
Prudential Cpn. 4 95 £	0.1	99.76	99.86	5/3	11.78
R. Bk. Scotland 8 Perp.	0⅛	100.09	100.18	11/6	8.44
United Kingdom 0 92	0	100.10	100.20	7/7	8.00
Woodside Fin. 5⅞ 97	0	99.60	99.70	28/7	8.18
Woolwich 5 95 £	0⅛	99.88	99.98	15/8	11.69

Average price changes... On day +0.07 on wk. +0.07

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Ajinomoto 3 99	4/84	1063	192⅛	193⅛	−4	8.16
Comcast 7 2000	12/85	23.87	†122⅛	123⅛	+1½	16.07
Fenac 3⅞ 98	1/84	7032	235⅛	236⅛	+7½	67.86
Fuji Hvy. Inds. 3 2000	8/85	676	110⅞	111⅞	+2⅛	4.38
Fujitsu 3 99	5/84	1320	121⅞	122⅛	+0⅛	20.29
Kumagai Gumi 3½ 2000	3/86	600	†212	213	+1	8.29
Marui 3½ 99	7/84	1162	232½	233½	+1½	0.69
Minolta Cm. 2⅞ 94 DM	2/86	1105	100⅞	101⅛	0	30.33
Mitsubishi Bank 2⅞ 99	6/85	1768	116⅛	117⅛	+0⅛	0.38
Mitsubishi Elec. 2⅞ 00	3/85	422	124⅞	125⅞	+0⅛	3.78
Mitsui Bank 2⅞ 01	4/86	101.9	103⅛	104⅛	+0⅛	−89.98
Murata 3½ 2000	7/84	2396	156½	157½	+3⅞	22.31
Nippon Elec. 2⅞ 2000	1/85	1295	151⅛	152⅛	+3⅛	82.83
Nippon Oil Co. 3 2000	5/85	923	140⅛	141⅛	−2⅛	−2.10
OKI Elec. Ind. 3½ 99	10/84	806	121⅛	122⅛	+3⅛	8.76
Sanwa Bank 2½ 2000	10/85	1496	121⅛	122⅛	−0⅛	0.67
Sekisui House 3 99	6/84	612	214⅛	216	−4⅛	−1.91
Sumitomo Bk. 2⅞ 2000	8/85	2142	117	116	−0½	1.49
Sumitomo Cpn. 2⅞ 99	5/84	893	171⅞	172⅛	−3⅞	8.89
Taiyo Yudan 3⅞ 2000	3/86	1076	†131	132	+1	−0.96
Tokyo S'yo El. 3⅞ 98	12/84	772	107	108	+1⅛	6.74
Toshiba Cmcs. 3 2000	4/85	1734	116⅛	117⅛	+5⅛	10.37
Nippon Oil 2⅞ 92 SFr	3/84	10*2	†110	110½	0	4.33
Nip. Shinpan 2 92 SFr	3/84	801	†170	170½	−3⅛	11.63
Asics 5 93 DM	12/83	620	121½	122⅛	+0⅛	6.79
Renown 3⅞ 90 DM	3/86	675	131⅛	132⅛	−0⅛	−1.29

* No information available—previous day's price.
† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

TECHNOLOGY

A HUMAN hand can undertake an astonishingly wide variety of tasks, anything from wielding an axe to caressing a baby.

Robot hands, unfortunately for factory managers, are much more limited. Thus a robot which switches from picking up items from a conveyor to placing components on an electronics board will normally have to change tools to do the job properly, o factor which reduces the effectiveness of the machines in manufacturing industry.

The ambitious task of Renishaw, a small British concern which is one of the few UK success stories in high-technology manufacturing, is to devise e series of robot "end effectors" with something approaching the flexibility of their human counterparts.

The hands will incorporate tiny sensors, based on optical, ultrasonic or microwave devices, which instruct the machine's "fingers" to move in relation to the item which has to be handled. In this way, the hand will change configuration depending on the task given to it by a buman controller.

Research into these devices, part of a series of developments under way by Renishaw, should lead to new products by the end of the year, says the company. For commercial reasous, Renishaw is reluctant to divulge the details of the research.

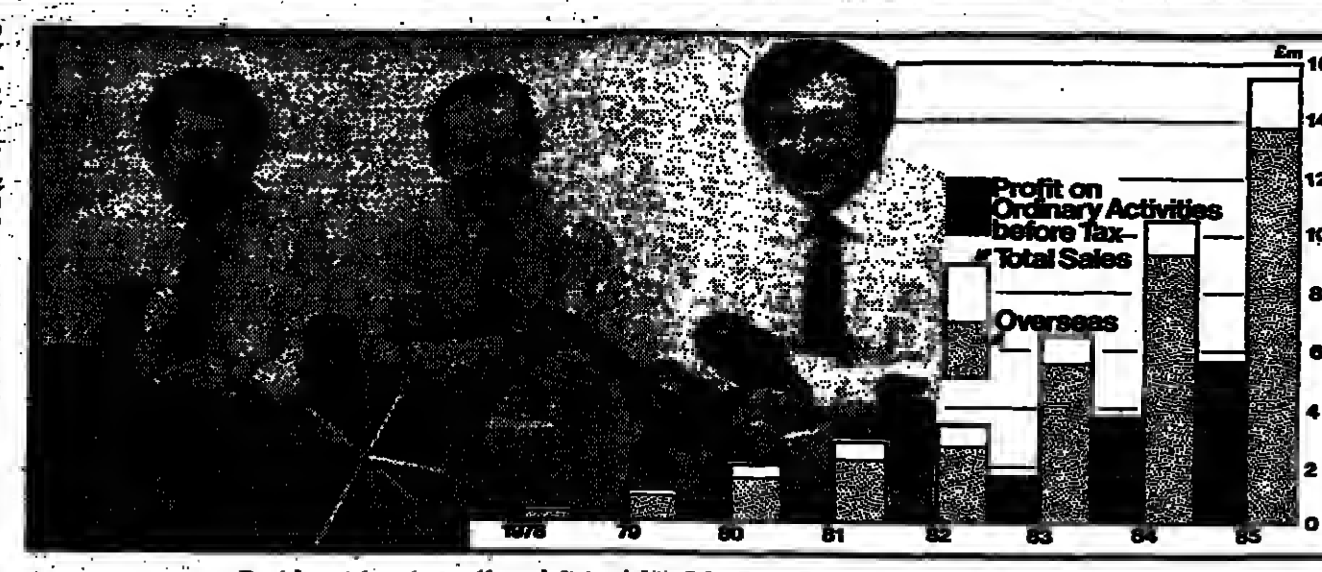
The enterprise bases its plans for new products on a phenomenal success in the past five years in selling measuring probes for factory machinery, o business in which the company bas some 80 per cent of the world market. The total market for such probes is estimated et about £20m annually, and growing at 10-20 per cent a year.

Although the probes business is small, the devices are vital in improving the performance of a wide range of factory equipment, the annual sales of which add up to bundreds of millions of pounds. The probes, which cost from £1,500 to £25,000, are fitted either to co-ordinate-measuring machines or computerised machining centres. These systems may sell for anything from £10,000 to a thousand times that figure.

Among the machinery concerns which include Renishaw probes in their products are Cincinnati Milacron and Cross and Trecker of the US; Yamasaki, Mitsui, Hitachi and Mitutoyo of Japan; Britain's Ferranti; Dea of Italy; France's Siev (owned by Renault) and Scharmann of Germany.

Abont the only significant competitor to the company in the probes business is Zeiss, the West German instruments concern.

Typically, the probes obtain measurements to within e millionth of a metre of the dimensions of items turned out during



Renishaw triumvirate: (from left to right) John Deer, David McMurtry and Allen Roberts

Giving robots a helping hand

Peter Marsh on Renishaw, one of the few UK success stories in high-technology manufacturing

the various stages of e manufacturing cycle. The items could be anything—from car parts to radio receivers—where precision monitoring is important.

The data from the probes is either stored in a memory for quality control or is passed to another item of machinery in the next phase of o production routine.

A probe could, for example, record the dimensions of a metal component fresh from a casting operation before channelling the information to e computerised machine tool. The latter takea the data into account when formuleting how to cut the component in a further shaping process.

Formed 13 years ago by Mr David McMurtry and Mr John Deer, former employees in the aeroengine-design division of Rolls-Royce, Renishaw has experienced extraordinary growth in the past few years, seeing sales of its probes climb from £1.1m in 1979 to £15.5m last year. Of the latter figure, a remarkable £5.6m was profit.

Along the way, the company, which employs 480 people and exports roughly 80 per cent of its output, has received plaudits both from the financial sector and from the international machinery community. The company is based in Wotton-under-Edge, a small country town in Gloucestershire.

Renishaw, which obtained e full listing on the Stock Exchange in 1984, raised £5.9m from the City about 18 months ago to fund the development of new products.

Besidea novel robot "hands," the company is working on vision systems for factory inspection and new probes based on lasers that can monitor the position of fragile items such as paper products and fabrics.

The company has also signalled its interest in moving into full eutomation systems, developing some of the equipment itself and using some items (such as individual robots) bought from established suppliers.

"Renishaw is an extraordinarily exciting prospect," according to Mr Dovid Hurst-Brown, an analyst at Rowe and Pitman, the stockhroker. He expects to see the company sustain an annual growth rate of about 25 per cent over the next few years.

Ms Laura Conigliaro, who monitors the automation industry for Prudential-Bache, e financial services concern in New York, calls Renishaw's performance "creditable."

"They (Renishaw) beve done a beautiful job," says Mr Frank Fenuele, product support manager at Brown and Sharpe, of North Kingstown, Rhode Island, a measuring-machine company which uses Renishaw probes in its products.

Brown and Sharpe took a 20 per cent stake in Renishew from 1981 and 1983 and was interested in acquiring the company outright. The US company was beaten off by the triumvirate whieh runs Renishaw — besides Mr McMurtry and Mr Deer, this includes Mr Allen Roberts, who joined in 1979 as finance director.

According to Mr McMurtry, an entrepreneurially minded engineer who has been responsible for obout 100 inventions ranging from new fans for jet engines to central-heating boilers, the company intends to be extremely careful in its growth strategy. "We want to look first at the areas of outomation that are not being tackled properly by anyone else. We will move into higger systems only after this. There is no 'big bang' approach."

But Mr Deer — who is group managing director, leaving Mr McMurtry, as Renishaw's chairman, to concentrate on new ideas — leaves no douht as to the company's ambitions. "We want the company to grow into a major force in world markets," be says.

Four-point strategy for rapid expansion

FOUR KEY strategems are behind Renishaw's plans for growth.

● Manufacturing technology. In the past few years, the company has invested several million pounds on the latest automated equipment to turn out the precision parts for its probes and other products. The company uses computers both to design new parts and to programme the factory machines. In this way, it says, the thousands of tiny parts in the products can be turned out as precisely and as cheaply as possible.

As part of this emphasis on computerised manufacturing techniques, Renishaw last year acquired 75 per cent of Micro Aided Engineering, a small manufacturing systems company based in Thetford, Norfolk. Expertise from the company will help in the development of both new products and manufacturing processes.

"We are not just a seller of measuring probes," insists Mr John Deer, Renishaw's group managing director. "We invest very strongly in design, development and manufacture." About e quarter of the company's staff of 480 work in research and development.

● Attention to detail. For each new prodnct area the company aims to move into, the company builds up a hulky file which details every aspect of the prodnct, including design, manufacture and marketing.

This philosophy is illustrated in the way Renishaw is approaching the development of its novel laser probes, robot "hands" and vision systems. The company has set aside a large area of its workshops in Wotton-under-Edge for a prototype prodnction plant for the new items.

Once Renishaw's managers are confident the parts for the prodncts can be made cost-effectively, the machinery will be transferred to a new factory in Cwmbran, south Wales, where the company plans to employ 500 people in the next year or so—doubling the current workforce.

● Patent protection. Renishaw assigns two people (shortly to be joined by a third) to protect its patents on probes and to take out patents on new inventions. This philosophy can be expensive. The company has spent several hundred thousand pounds fighting—through US courts—Valeron, a subsidiary of GTE, the US telecommunications concern, which Renishaw claims has infringed its patents. A ruling is expected shortly.

An earlier patent tussle with Dea of Italy was settled out of court in Renishaw's favour. The company believes it has strong patent protection for its probes in Europe and the US. It has spent 10 years hattling to estahlish patent rights in Japan, a strategy which succeeded last year with the granting of two patents.

● Strengthening of management. Renishaw has hired an industrial manager, Mr Jim Stevenson, formerly with Plessey, to take over routine

Emphasis is placed on design, with about a quarter of staff involved in research and development

responsihility for probe manufacture, the company's core business. Mr Stevenson is managing director of Renishaw Metrology, the group'a main division.

Mr Ben Taylor, an ex-Bendix employee, was bired as the president of the company's US subsidiary. Renishaw is also unusual in having two professors on its staff. Prof Keith Rathmill, a robots expert formerly at the Cranfield Institute of Technology, last summer became managing directors of Renishaw Research, the company's development arm.

Prof David Pitt, formerly manager of the sensors laboratory at STL, the development laboratories of STC, the electronics company, was taken on recently to run Renishaw Transdncer Systems, another subsidiary concerned with new prodncts.

Company takes initial boost from Concorde engine innovation

RENISHAW'S success can be traced directly to a crucial engineering breakthrough in the early 1970s which permitted Rolls-Royce to develop its jet engines for the Concorde aircraft. Mr David McMurtry, now Renisbaw's chairman, was responsible for this invention.

At that time Rolls-Royce's Bristol division was seeking a way to fit, extremely precisely, the fuel pipes of these engines to the rest of the motor assembly. In pre-Concorde motors, the pipes were fixed by rubber seals, a practice which did not require high accuracy.

For the new engines — the higher temperatures of which would have melted the rubber — the seals were ruled out. Engineers bad to devise a tool to measure to within a few micrometres the widths of pipes, so they could be fitted snugly in the gaps left for them in the engine casing.

Mr McMurtry, then deputy chief designer at the Bristol division, came up with a seemingly simple mechanism, now protected by a series of about 30 patents owned either by Renishaw alone or jointly with Rolls-Royce. A small pencil-type probe, with a ruby tip on the end, is joined to three subsidiary arms, to form the four axes of a tetrahedron.

The three arms fit snugly between a series of six tiny bearings on a ring to which is linked an electricity supply. When the ruby touches a solid surface, an electric signal is sent via the ring to a compnter which records the position of the probe at that instant. By this mechanism, the shape of an item can be measured highly accurately.

After Rolls-Royce indicated it was not interested in commercialising the invention, Mr McMurtry discussed a joint venture with Mr Deer. The pair first broached the matter in a chance meeting in Rolls-Royee's library.

Renishaw formally started in 1973; initially, the company's sole premises comprised a spare room in Mr Deer's house in Chepstow. While Mr Deer ran the company, Mr McMurtry stayed with Rolls-Royce until 1979 and worked for Renishaw part-time.

Mr McMurtry is remembered at Rolls-Royee for his ingenuity. "Whatever the problem, be would eome up with a new idea," according to Mr Derek Roberts, Rolls-Royce's chief designer.

These days much of the Renishaw chairman's time is spent scribbling designs for new prodncts on loose pieces of scrap paper. His secretary bas been instructed not to throw any of the drawings away, lest a notion for a new breakthrougb should disappear into the rubbish bin.

In 1976, Renishaw moved into its first premises in Wotton-under-Edge, taking over an old ice-cream factory before moving to a more up-market address, a disused mill whieb was formerly run by Courtaulds to turn ont elastic for underwear.

From a staff of seven, and sales of £169,000, in 1977, the company gradually built up strength, in the process opening np offices in Japan and the US. About half the company's output goes to makers of measuring mschines and the rest to machine-tool companies.

UK COMPANY NEWS

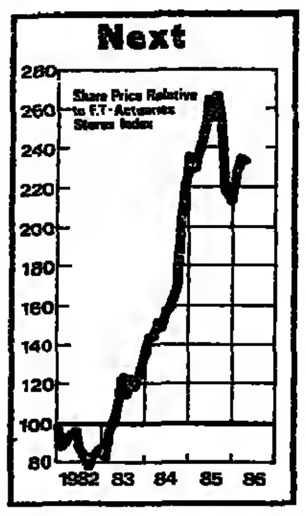
Next up 41% and on course for record year

NEXT, the fast-expanding fashion retailer, yesterday reported a 41 per cent increase in interim profits and signalled that the full year result should be another record.

At £13.64m pre-tax, the interim result compared with £9.66m, exceeded the £13.62m attained in the year before last, and was at the top end of City forecasts. Profits in 1984-85 reached £20.06m.

Shares in the group, formerly J. Hepworth & Son, initially touched a high of 297p following the announcement before easing to close at 290p, down 4p. The interim dividend is 30 per cent higher at 1.3p, with earnings per share at 6.05p (4.08p).

Next, which recently acquired the loss-making chain of Lord John and Werff clothing stores from the troubled Raybeck group, said that the Next and Next for Men stores had another very successful trading period. This was despite the run-down of turnover from the old Hepworth branches.



The launch of Next Interior last August had, the board said, provided another strong arm to the company's retailing product base and had given the impetus to develop the complete store strategy. Total group turnover for the six months to March 1 1986 was up from £71.55m to £85.62m.

Lord John and Lady at Lord John stores have been integrated into the group while Club 24, the retail finance arm, has flourished since Next took full control last September.

● comment

These figures confirm what the market has known for some time: that Next is no longer a business achieving spectacular growth by pushing a retailing formula into a dead chain but one that must compete for properties like every other store group. The sales growth, at 20 per cent, is pedestrian by Next standards, although it partly reflects the loss of turnover from the rump of the Hepworths stores being sold. In fact, Next is showing skill in acquiring properties and is, as ever, bubbling with ideas on how to fill them: people are having pastel Next perms in Newcastle and there will be Next shoes on the street by the autumn. If this suggests a treadmill, whereby exclusivity limits product growth (as in womenswear) and we will end up being offered Next automobiles and aircraft, Next is no Biba: firm control of design and stock and the flexibility of small stores should prevent anything drastic. The company should make about £27m before tax this year, implying growth of about a third and fully justifying the premium in its price/earnings ratio of 24 on yesterday's share price.

Johnston advances to £5.6m

SOME MEASURE of recovery has been shown by the Johnston Group of civil and mechanical engineers in 1985. Pre-tax profits have moved up from £4.46m to £5.55m, with the whole of the increase attributable to the civil engineering and road maintenance division.

The dividend for 1985 is raised to 7.5p net from 7p. The final is 5.25p.

As to the current year, the directors say internal operating budgets support the expectation of a further increase in profitability.

A split of the pre-tax profit shows: engineering and hydraulics £1.06m (£1.04m); civil engineering supplies £2.03m (£2.08m); civil engineering and road maintenance £2.46m (£1.34m).

After tax £2.13m (£982,000) and minority £222,000 (£252,000), net profit attributable was £3.2m (£3.23m) giving earnings of 30.98p (31.26p).

An extraordinary £439,000 is provided against the investment in a joint venture company making g.r.p. pipes in Jordan; operating activities have been mothballed.

THE FOLLOWING mergers are not to be referred to the Monopolies and Mergers Commission: the proposed acquisition of Home Charm by Ladbroke, the acquisition of the Hoover company of the US by Chicago Pacific Corporation, and the proposed merger between TAC Construction Materials and Externit Building Products.

London and Manchester in £27m cash call

By Eric Short

London and Manchester Group is to raise £26.9m through a rights issue of 3,520,945 shares at 730p per share on the basis of one new share for every six existing shares. The new money is being raised primarily to finance future growth.

The group is also proposing a three-for-one capitalisation issue following the annual meeting on May 28, with dealings in the new shares expected to start on June 2.

L and M points out that between the end of 1981 and the end of 1985, life and pensions premium income increased from £57.2m to £88.2m, single premiums from £3.9m to £44.3m and shareholders' profit from £2.9m to £6.6m. Its market capitalisation rose from £57.1m to nearly £200m and shareholders' funds from £9.6m to £16m.

The issue has been underwritten by S. G. Warburg.

● comment

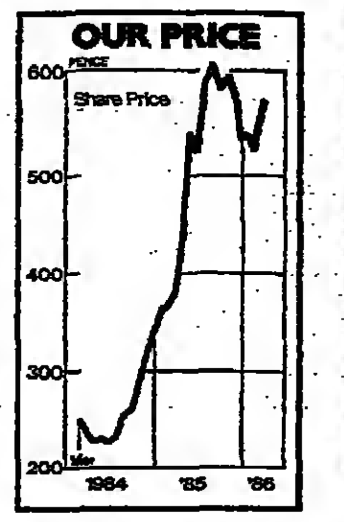
The right issue announcement from London and Manchester took the market somewhat by surprise. The group is still regarded primarily as a life company and at present life companies have in general no need for capital — UK Provident excepted — since their life funds are full of capital growth and well able to cope with future financing requirements. However, L & M has been expanding its operations beyond those of a home service company and it is this expansion that requires a fresh capital injection. The group established a non-insurance holding company which, while providing financial flexibility, does pose some problems. L & M operates a separate pensions division which is growing rapidly and now contributing to profits. However, this has to meet the statutory solvency requirements and since it is a separate division it has to stand on its own for solvency. Secondly, its mortgage operations have met with tremendous success. At the end of 1985 it had loans of £165m and in January this year it expanded its syndicated bank finance from £200m to £300m available for mortgages. The market operates on a 1 for 15 for assets to cover mortgage loans, that is £300m of loans should be backed by £20m of funds. Since the mortgage operation is independent of the life funds, the backing has to come from shareholders' funds. The market reacted by cutting the share price 20p to 840p —still comfortably above the rights price.

David Churchill on W. H. Smith's £43m bid to take over Our Price

Move may spark a chain reaction

WHEN Mr Garry Nesbitt was unable to buy a tape cassette on a Saturday afternoon in the West End in the early 1970s because most of the specialist record shops were shut, he did what most of us dream of doing but rarely achieve: he opened his own record and cassette shop selling the kind of music he wanted to buy and hoped others would as well.

His gamble paid off. Two years ago he brought his Our Price retail chain to the stock market in a spectacular debut—captivating the interest of small investors—and yesterday agreed to sell his 130 stores to W. H. Smith in a deal worth £43.2m.



Mr Michael Isaacs and Mr Garry Nesbitt, founders of the Our Price store chains.

The move appears to give both Mr Nesbitt and W. H. Smith what they want.

Our Price will get the financial backing it needs to expand its operations, while W. H. Smith not only eliminates a key competitor but also achieves part of its new strategic aim of establishing a series of specialist satellite stores to complement its main High Street chain.

Smith decided last year that the buoyancy of the audio software market — especially the potential booming demand for compact discs—meant that it could expand its retail interests in this area without harming the record and tape sales through its main chain, which accounts for just under 15 per cent of the business.

Consequently, in what Mr Paul Deacon, a retail analyst with stockbrokers Wood Mackenzie describes as a "classic market segmentation exercise," Smith decided to develop its own specialist record shop chain, Sounds FX.

Sounds FX was seen as a direct competitor to Our Price with plans for about 100 stores offering the same broad range and depth of stock as Our Price.

Smith, however, soon discovered that there was more to specialist retailing than simply opening up a specialist chain.

To be successful, specialist retailers usually have at their head an entrepreneurial management team quick to exploit market opportunities and to provide a high degree of motivation for staff.

To its credit, the W. H. Smith management quickly realised its mistake and aborted the Sounds FX operation earlier this year.

This, however, significantly narrowed its options. It had previously acquired a specialist record retailer called Music Market with 20 shops but this was seen as more of a pop record and tape retailer rather than the range offered by specialists such as Our Price.

Our Price had developed rapidly from Mr Nesbitt's original Tape Revolution music store in Finchley, opened with funds borrowed from colleagues at Mecca Sportsman casino group where he worked. But the course of growth in specialist retailing does not always run smooth.

By the mid-70s, Mr Nesbitt and his close colleague, Mr Michael Isaacs, decided to take on the established specialists like HMV—a subsidiary of Thorn EMI—and Mr Richard Branson's Virgin Records.

Backed by a heavy radio advertising campaign, the nine central London stores boomed —until Our Price's competitors hit back with a vengeance. In 1979, for example, Virgin opened a record megastore in Oxford Street which hit the neighbouring Our Price shops hard.

Mr Nesbitt's response was to shun the city centre megastore concept, preferring to concentrate on smaller towns and suburban locations where customer service was more important and competition was less acute.

His strategy was implemented with the acquisition of the loss-making Harlequin record store chain in 1980, which gave him some 41 small stores in suburban locations. Harlequin, however, proved harder to turn into profitable operations than either Mr Nesbitt or Mr Isaacs had foreseen and led to Our Price making a loss of almost £400,000 in 1981.

In addition, the changing retail environment of the early 80s meant that the previous strategy of a rather dowdy, "pile-it-high / sell-them-cheap" approach was inappropriate to the growing sophistication of Our Price's customers.

So Mr Nesbitt and Mr Isaacs switched Our Price's trading formula into something more up-market, concentrating on range or music and customer service rather than simply price alone.

The Our Price retail formula has been to extend its product range beyond chart albums to include country and western, jazz, and classical music (which now accounts for about 5 per cent of sales).

Pricing policy has been to match the competition rather than lead with heavy discounting.

Our Price came to the stock market in 1984 at a time when the music industry was looking more buoyant than for a long time. Although long-playing record sales are in a long-time decline, cassette sales are booming as a result of the growth of in-car stereo systems and the personal stereo equipment pioneered by Sony's Walkman.

But the cost of Our Price's expansion was to over-extend its borrowing, which left it with the option of either securing the finance for further expansion through a rights issue or seeking the security of a larger company.

Mr Nesbitt decided to take the latter option. He says he much admires the W. H. Smith style of professional operation and counted Smith's as his major High Street rival, even though the Woolworth stores have the largest market share with about 15 per cent of the market.

W. H. Smith has a 12 per cent market share and Our Price about 7 per cent.

Mr Simon Hornby, chairman of W. H. Smith, said yesterday that the Our Price acquisition would establish a complementary retail chain. "We see the market falling into three distinct segments," he says.

"Firstly, there is the mainstream business captured from our High Street shops. Then, there is the popular sales through our Music Market chain. And, thirdly, we now have Our Price with its specialist niche."

The only drawback to Mr Hornby's strategy, however, is that his move may spark off a chain reaction (to quote the recent Number One chart hit from Diana Ross) from other record retailers anxious to capture a share of a growing leisure market.

Retailers Record and Tape Market Shares

	Singles 1983 %	Singles 1990 %	LPS 1983 %	LPS 1990 %	Cassettes 1983 %	Cassettes 1990 %	Compact 1983 %	Compact 1990 %
Specialists	42	48	42	47	21	38	(—)	65
Woolworth	21	18	13	12	21	17	(—)	5
Boots	7	3	6	3	7	4	(—)	4
W H Smith	11	13	13	15	15	20	(—)	18
Others	19	18	26	23	36	21	(—)	8
	100	100	100	100	100	100	100	100

1983 — Source: BMRB (FORTE)
1990 — Wood Mackenzie Estimates

Riley swings back into the black

A SHARP improvement by its snooker manufacturing activities, together with a reduction of over £1m in the losses of the Leisure Industries offshoot, enabled Riley Leisure to swing back into the black in 1985.

From turnover £3.19m ahead at £25.76m, the group returned profits of £751,000 pre-tax, compared with 1984's losses of £1.23m.

Earnings emerged at 1.8p (losses 9.6p) but there is no dividend for the year. Shareholders received an interim of 0.7p in 1984 but following a sharp dive into the red in the second six months the final was passed.

The directors are now concentrating on building the recovery achieved in 1985 and look forward to making further progress during the current year.

The results for home snooker tables showed a big improvement over 1984's heavy loss but sales were disappointing.

● comment

On the face of it Riley seems to have staged a complete recovery in 1985. A closer look at these figures tells a different story. The core business—sales of billiards and snooker tables —in the UK remained relatively steady, although Riley is still cursed with the problem that limited capacity means that as soon as production is increased, overtime payments soar and margins suffer. Revenue from snooker clubs was buoyed by the twin demons of fruit machines and drink, as more and more of the clubs become licensed. Leisure Industries is still problematic, although the worst of its losses have been stemmed. But the Far East, or rather a sudden craze for snooker in Hong Kong, leapt to the rescue and export sales generated half of these profits. The prospects for 1986 depend on how demand from the Far East develops. Nonetheless a modest increase to £950,000 is expected, producing a p/e of 16 on yesterday's share price, down 2p to 59p. Borrowings remain a persistent problem. Even after the Powersport disposal, Riley sports borrowings of £5m against net assets of £7.5m. In a sense, the balance sheet has been the company's salvation, as would-be predators have been deterred by a glance at it.

Amari expands in the US

BY DAVID GOODHART

Amari, the UK distributor of semi-manufactured metals, has announced a further move into the US market with the purchase of 35 per cent of the distributor All American Metals Inc, based in Philadelphia and New Jersey.

This deal follows swiftly on the heels of Amari's first US acquisition of Ontario Metal Supply of Baltimore, for which it paid £3.7m last month. The All American Metals stake has cost about £920,000 ($1.35m) and may be increased at a later date.

Mrs Brenda Langley, the Amari finance director, said the other main shareholder remained Mr Patrick Sweeney, the chief executive of the company. Mr Sweeney is now going to join the board of Ontario Metals.

The two US companies, combined with Amari's existing Canadian operations, will have an aggregate turnover of over $70m. Mr Jon Pither, the Amari managing director, said the US deals put the company straight into the top dozen distributors in America, in what remains a very fragmented market.

Mrs Langley said a major benefit of the two US deals is that they are both based in the north-east, and the company now has a distribution system running from Toronto in Canada to Virginia.

Although the two companies have, combined, been doing little better than breaking even, Mr Pither said he hoped to be making $7m to $8m a year in three to four years time. He predicted a 2 per cent a year growth in the aluminium market over the next five years.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div.	Total for year	Total last year
Arenson Group ......int.	0.4	June 2	nil	—	nil
Ash & Lacy	10.25	—	12	20.25	20
Beauford Group	3.5	—	3	5.25	4.5
Bodycote Intl.	3.5†	July 1	2.5	6	4.5
British Syphon	1.75	May 23	1.4*	3	2.4*
Friendly Hotels	0.7§	—	0.7‖	0.7	0.7‖
Gaskell Broadloom	3.5	—	3.5	5.5	5
Johnston Group	5.25	July 4	5	7.5	7
Kwik-Fit	1.1	July 1	0.94	2.1	1.73
Ldn. Continental Adv....	1.5†	June 17	1.6	2.25	1.6
Ldn. Edinburgh Trust...	4.5	—	3.75	7.5	6.25
L & P Shop ....int.	2.1	July 1	2	—	4.6
Marshall's Unvsl. sec int	1	May 23	—	—¶	2
Metsec‡	1.3	—	—	1.3	—
Newman Inds.	0.5†	May 16	nil	0.8	nil
Next ....int	1.3†	July 1	1	—	3.75
Scanro Hldgs‡	2.5	—	0.7	4	0.7
Sunleigh Elect.‡	nil	—	0.25	nil	0.25
S. W. Farmer	Nil	—	Nil	Nil	3.1
New Court Trust int.	4.75	—	4.13	—	14.25

Dividends shown in pence per share except where otherwise stated.
* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock. ¶ Making 2p to date in respect of 15 months. ‖ After allowing for share sub-division and scrip issue.

UK COMPANY NEWS

UB calls on Hanson to spell out Imps plans

By Martin Dickson

United Biscuits, which is bidding for Imperial Group against a rival offer from Hanson Trust, yesterday accused Hanson of failing to answer questions about its plans for Imperial, and it called on it to spell them out.

The demand came in a letter from Sir Hector Laing, chairman of United, to Lord Hanson, chairman of Hanson Trust, just four days before the final closing date of United's offer.

However, Mr Martin Taylor, a Hanson director, said the company had asked three times for e meeting with Imperial to discuss the futur eand had been rebuffed. Hanson, he said, had been given minimal information and belived it should speak to Imperial's managers before coming up with any grandoise plans.

Hanson yesterday bought some 15m more Imperial shares in the market. This, together with purchases on Monday, lifts its holding from 10.2 per cent to 13.06 per cent. It has announced acceptances for its offer covering e further 20 per cent of the shares, while United's combined purchases and acceptances were last put at 22 per cent.

Sir Hector claimed that the Hanson and United offers were not virtually identical, though capital values can and would change by a few pence on a daily basis.

He asked Hanson to spell out what cost savings it could make to Imperial's business other than through office overheads; what benefits it could provide to brand marketin gand development or distribution and selling; and how Hanson would reduce its gearing to "more reasonable levels" and et the same time provide funds for the development of Imperial.

He said that UB had demonstrated the positive commercial financial benefits of its offer for Imperial, "but even now you have remained silant."

COLNE VALLEY WATER is raising £10m through a £5m issue of 6¾ per cent redeemable preference shares 1992-94 and a £5m issue of 10 per cent debenture stock 1996-98. Both stocks are priced at par, with £10 partly paid and the balance due on May 30. Preference shares are on offer by tender through Seymour Pierce (lists open April 15) and the debenture stock is being placed. The yield on the preference shares at the minimum price the fully franked investment income return is 10.38 per cent. The yield on the debenture is 1 per cent over gilt edged stock.

Lonrho is flattered by 'friendly' US stake of 20%

BY MARTIN DICKSON

MR "Tiny" Rowland, chief executive of Lonrho, believes some 20 per cent of the company's shares are in American hands, with most of the stakes being built up in the past four or five months.

Mr Rowland, speaking to reporters after Lonrho's annual meeting, said he did not know who held the shares, but he believed they were mainly sympathetic to the company.

It is the first time the company has commented on the composition of its share register since it reported in March a pattern of aggressive buying of its shares and suggestions that a consortium was being organised in the US to make a bid.

Sir Edward du Cann, Lonrho's chairman, said earlier, in response to questions at the meeting that while the company was aware of an increase in holdings in the US, it had no knowledge of any plans for a takeover. It was "somewhat flattered and not a little amused" by the American interest.

He told shareholders that while there was an awakening realisation by institutional investors of the merits of the company, Lonrho's share price was still under-valued in relation to the trading success and asset value.

Sir Edward gave no detailed profit forecast but said the group was trading well and hoped that the present year's profits would show its pattern of consistent growth was being maintained.

Lonrho was hoping to double in size in the next three to five years, he added. It was intending to strengthen its links with the Far East because of the area's immense growth potential and was considering seeking a quotation on the Tokyo Stock Exchange.

Lonrho, he added, had no plans to take over any other company, although it continuously researched suitable enterprises. It was investigating the possibility of buying Land Rover from BL, but had come to no conclusion.

Sir Edward renewed Lonrho's attack on the Government for not giving the company the go-ahead last year to bid for House of Fraser, the stores group which was taken over by the Egyptian Al-Fayed family.

"There is no doubt that the unfairness of our treatment by Government and by successive secretaries of state, a fact which is acknowledged on all sides except in Government itself, has seriously inhibited this company's development," he said.

Lourho also announced a one-for-ten scrip issue. Its shares closed et 293p, down 6p on the day.

EMAP buys six more titles

BY DAVID GOODHART

EMAP, the magazine and newspaper publisher, yesterday paid a net £2m for Scarborough and District Newspapers in a move which further underlines its shift away from retailing and printing.

The Scarborough group, which has six titles, made pre-tax profit of £262,000 on turnover of £2.74m in the year to March 1985. Emap has agreed to pay about £4.5m for the company but will inherit £2.5m cash in the bank which has been boosted by Scarborough's sale of its Reuters shares. Net assets, prior to the Reuters sale, stood et £1.8m.

Emap bas also written to shareholders explaining its decision to concentrate on publishing and exhibition activities.

The company grew out of local newspaper publishing but in recent years bas diversified into contract printing and retailing which together last year accounted for nearly one-quarter of turnover.

Then in September last year Emap sold its retail division, Readwell, to United Newspapers and last month pulled out of magazine printing with the sale of its Heatset magazine printing division in Peterborough.

Mr Robin Miller, chief executive of Emap, said: "We decided that we weren't doing magazine printing very well and we either had to invest heavily or pull out."

Margins in publishing, he added, tend to be better than printing which is labour and capital intensive. "Publishing is ebout good ideas and we have been good et creating a kind of cottage industry atmosphere where the ideas flow," he said. Emap now owns over 60 magazine titles—20 of which have been ereated in the past 10 years and 40 bought.

Emap bas also moved into thet exhibition industry in the past two years which it claims has considerable synergy with its business magazines. "We now have 20 exhibitions which represents an annual turnover of ebout £10m and is a rapidly growing part of the group," said Mr Miller.

The company—which is likely to pass a turnover of £100m this year—is not leaving contract printing entirely. It is expecting to print editions of the new Independent newspaper on its modern presses in Peterborough or Kettering but such contract work is now incidental to its main strategy.

Emap will be paying for the Scarborough papers in two tranches. The first will be entirely cash and the second cash or shares. The exact price will depend on performance in the year ended April 5.

WPP claims bid victory

WPP, now run by former Saatchi & Saatchi finance director Mr Martin Sorrell and stockbroker Mr Preston Rabl, said last night it had won control of Promotions House, the sales promotion consultancy that it made a hostile £8m bid for last month.

WPP said that by yesterday morning acceptances had been received from holders of 12.8m shares (50.3 per cent), rising to 53 per cent by the end of the day.

Mr Alan Taylor, managing director of Promotions House, reiterated last night that he would resign as soon as the offer went unconditional. He said he could not speak for the views of his felow senior staff.

First Leisure

Lord Delfont, chairman of First Leisure Corporation, told yesterday's AGM that be was particularly encouraged by the trading results for the first four months of the current year and by the sales figures nver the Easter boliday weekend.

He said he was sticking to his view expressed in the report and accounts that he looked to the year ahead with confidence.

Shareholders beard that the group's dancing operations had got off to e good start

IN BRIEF

THE Kuwait Investment Office disclosed yesterday that It bolds 14.6 per cent of Britannia Arrow Holdings, the financial services group, which last month agreed to buy MIM, the fund management group, for about £45m. The KIO stake was bought from Guinness Peat, the financiel services group, which failed in e £280m hostile bid for Britannia this year.

S. W. FARMER GROUP of structural engineers and fabricators reports turnover of £16.3m (£19.14m) and loss £1.25m (£1.53m) for 1985. There is no dividand for the year (interim 3.1p). Loss per share was 41.77p (43.28p) and 66.84p (43.91p) after extraordinary charges £633,000 (£16,000).

PHOENIX TIMBER, the troubled timber importer, has seen the resignation of another director. He is Mr B. A. Ledger, and be follows the former chairman and managing director Mr Dennis Cook, who went last month. Mr Peter Quinn, the former chief executive of the Planet Group, took over on Mr Cook's resignation. Phoenix announced last month that it expected to make a substantial loss for tbe year despite an optimistic statement in December.

NEW COURT TRUST, investment trust, says its net asset valne per 50p share rose from 477p to 566p as et February 28 1986. The interim dividand is raised from 4.125p to 4.75p net and stated half year earnings per share were 7.03p (6.13p). Revenue before tax was up from £442,212 to £507,926. Tax took £156,020 (£135,488).

LONDON & PROVINCIAL Shop Centres (Holdings) made lower pre-tax profits of £484,000 (£1.11m) for the half year to December 25, 1985. The fall arose because the group has ceased capitalising Interest nn Cornwall House and Edinburgh House, Slough, Berkshire and net rental income achieved on these buildings is initially substantially less than the related cost of borrowing. Gross rental income was £2.44m (£2.04m) and £4.95m (£4.17m) is expected for the year. Earnings per 10p share were 2.13p (3.84p) and the interim dividend is 2.1p (2p)—a final of not less than 2.6p (same) is forecast.

BEAUFORD GROUP, maker of beevy mechine tools, raised pre-tax profits to £818,000 (£710,000) in 1985, on turnover of £9.69m (£8.39m). Tax took £327,000 (same) and earnings per 10p share were 15.1p (11.9p). A final dividend of 3.5p makes a totnl of 5.25p (4.5p) net. A one-for-one scrip issue is proposed.

SUNLEIGH ELECTRONICS, manufacturer and distribntor of optical equipment, reports pre-tax profits up from £179,316 to £188,056 fnr 1985. No dividend (0.245p) is being paid. Stated earnings per 10p share of this USM company were 0.48p (0.49p). Turnover for the year was £2.02m against £1.97m. There was an extraordinary credit of £5,838.

McKECHNIE BROTHERS has placed the 6.65m shares (14.97 per cent) which it owned in Newman Tonks, et around 138.5p net per share.

Syphon in agreed bid for Marshall's

By Terry Povey

British Syphon has made an agreed £18.5m offer for Marshall's Universal in the latest move by Mr Bryan Morall to expand by acquisition his paper-based activities.

Both Syphon and Marshall's also prodnced results yesterday for the 12 months to December. Syphon's pre-tax profits almost doubled to £2.1m (£1.07m) on a turnover of £76.5m (£23.3m). Earnings per share were ahead to 9.8p (6p restated for last year's scrip issue) and dividend paid was 3p (2.4p).

Marshall's has reported pre-tax profits nf £1.3m (£1.8m) on a turnover of £53m £66.5m). Incinded in the 1984 figures were £905,000 of pre-tax profits and £19.5m of sales through an East African operation sold during 1985. Earnings per share were 5.24p (4.02p) and the total dividend was an nnchanged 2p.

The offer, 13 British Syphon shares for every 20 of Marshall's and 3 of the bidders shares for every £1 of the target's outstanding preference stock, has already been accepted by holders of almost 30 per cent of Marshall's shares. Among these are Syphon, with 13.6 per cent, financiers English Trust with 11.98 per cent.

In addition to the share offer there is e cash alternative, equivalent to 78p a Marshall's share, underwritten by English Trust. This part of the offer is only available until the first closing date on May 23.

● comment

On the assumption that this agreed bid wins the 20 per cent or so of shareholder support needed for victory, Bryan Morrall's British Syphon will have put on more than £100m in turnover in less than two years. Last year's £5.5m East Lancs Paper group acquisition contributed almost a third of gronp pre-interest profits of £4.9m. Having centralised the merchanting activities of East Lancs, Mr Morrall clearly believes that more volume can be pushed through the same channels—hence the acquisition of Marshall's. The targets self-adhesive side seems capable of standing on its own feet; whereas the motor components activities may see a more drastic approach. All this purchasing bas done the group balance sheet no good and Mr Morrall could be back to the market for more before this year is out. Momentum plus the English Trust are clearly on his side for the time being but inevitably even the dividend forecast could not prevent the shares slipping by 5p to 136p given the extent of the dilution.

Astbury & Madeley

Astbury & Madeley (Holdings), distributor for the engineering and plumbing trades, increased pre-tax profits from £1.5m to £1.87m in 1985. Turnover rose from £15.7m to £26.02m.

The pre-tax figure was after e payment of £124,723 to former company director Miss Joyce Steventon, who went intn early retirement.

There was an extraordinary credit of £608,000, being the revaluation of gronp properties and the sale of e subsidiary, Cinderford Engineering, for £66,000.

The final dividend is 5.06p (4.55p) per share.

BOARD MEETINGS

TODAY

Interims: Ferry Pickering, Smiths Industries.

Finals: Ayrshire Metal Products, British Alcan Aluminium, Cowells, Erith, Finlay Packaging, Hunting Petroleum, S. Jerome, Pearl Assurance, Rio Tinto-Zinc, Spirax-Sarco Engineering, Stewart Wrightson.

LADBROKE INDEX
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Kwik-Fit lifts market share and makes £6.6m

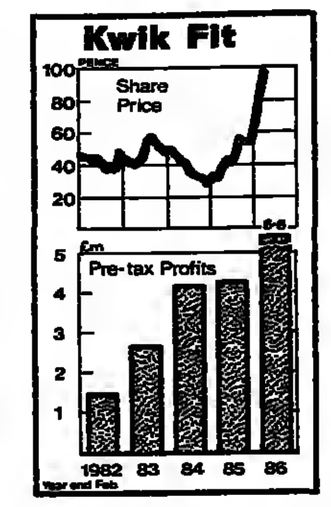
BY INCREASING its position as market leader and benefitting from stronger management and financial controls, Kwik-Fit (Tyres and Exhausts) Holdings has lifted its operating profit by 44 per cent and its pre-tax balance by 57 per cent in the year ended February 28 1986.

Turnover expanded from £61.2m to £83.76m on which an operating profit of £7.32m (£5.07m) was earned. Investment income was £1.38m (£1.18m) while interest charges were held at £2.07m (£2.02m) to give a pre-tax balance of £6.63m (£4.23m).

There was little profit movement in 1984-85 as the group suffered e downturn in the first half because of eggressive price competition in the exhaust market caused by manufacturers dumping stocks.

At the end of 1985-86 the group was trading from 318 outlets in the UK and Holland and had a further 27 under development. It estimates that 2.5m motorists will use Kwik-Fit in the current year and plans to introduce new services, including MOT testing wherever practical, which will put It in a good position to benefit from ebanging trends in retail automotive parts business.

In the initial five weeks of this year there has been significant increases in turnover and profitebility, compared with 1985.



In 1985-86 the group opened 33 new depots. Of these, 22 (including the nine hought from Monarch Motoring Centres) were opened during January and February and made no real contribution to results. Five depots were closed or relocated.

After tax £1.62m (£797,000) end minorities loss £16,000 (profit £9,000) the net profit came to £5.02m (£3.43m) for earnings of 7.51p (5.15p) per share. Extraordinary lossses total £446,000 (£497,000).

A final dividend of 1.1p lifts the net total from 1,7254p to 2.1p per shere.

● comment

The rise in Kwik-Fit's share price from 40p a year ego to 100p yesterday bears testimony to the excellent progress that these results describe. It also —quite appropriately—reflects e shift in the way the market looks at the company, seeing it more as a specialist retailer and less as a dowdy motors stock. The 60 per cent rise in profits last year was all the more encouraging as it was echieved with little help from the new depots whicb were opened at the tail end of the year. Kwikfit has been increasing the flow of customers through existing outlets by expanding the range of products end services offered; through economies of scale and hetter controls, margins have also been rising. This heppy pattern should be extended into the current year, wblch will also enjoy contributiona from new depots. The first full-service Car Centre will be opened later in the year although the potential will take longer to be realised. Assuming profits of £8.5m this year, a p/e of 12 suggests that the re-rating may not yet he over.

Lexicon shareholders to get partial reimbursement

BY LUCY KELLAWAY

Lexicon, e US-based maker of digital sound equipment, is planning to return to shareholders part of their Investment in the company, which was floated on the stock market less than four months ago.

It will be the second time a US company bas taken this route after running into difficult trading conditions.

Lexicon's shares were suspended in Februery at 118p, 3p higher than the issue price. The stock exchange, to the company's dismay, announced that the suspension had been "pending clarification of the company's financial position."

To halt rising concern among shareholders and trade customers Lexicon bas issued unaudited pre-tax profit for the six months to February of $216,000 (£147,000) on sales of $4.7m. This compares to full year profits in 1985 of $1.7m and a turnover of $10.5m. The company currently bas cash of $2.5m, net current assets of $4.6m, and shareholders' funds of $5.5m.

Mr Harvey Schein, Lexicon's finance director, said yesterday thet the decline in profits had resulted from severe competition in nne of the group's product lines. However, be said that sales of the other products had been unaffected.

More detailed information will be sent to shareholders in four to six weeks, and dealings are expected to begin shortly afterwards.

The amount of the reimbursement bas yet to be decided, but Mr Schein indicated that it would be between 20 and 50 per cent of the 115p issue price.

Chemical Method Associates, a Californian dishwasher manufacturer, offered investors their money back after its USM flotation in 1983, after it became clear that it would not meet its profit forecast.

Metsec beats forecast with £1.4m profit

Metsec's first annual figures since coming to the *Unlisted* Securities Market last October show profits for 1985 at £1.38m —in the prospectus, the directors made a forecast of £1.3m. In 1984, the group bad pre-tax profits of £658,000.

Turnover of the group—its principal activities are design, manufacture and marketing of the Metsec range of structural components and systems—rose from £12.4m to £14.89m, and operating profit advanced from £700,000 to £1.4m for the year.

After tax up from £315,000 to £607,000, attributable profits came out at £773,000 against £343,000.

A final dividend of 1.3p net is being recommended—if the ordinary shares had been dealt on the USM for the whole year, then the directors would have recommended a net dividend of 2.46p per ordinary share.

UK COMPANY NEWS

London & Edinburgh tops £9m with 80% growth

BOOSTED BY the sale of the Billingsgate, London, property and the pre-letting of the high technology facility in Bracknell, the London and Edinburgh Trust group of property developers and investors has lifted its pre-tax profit to £9.2m in 1985.

It is in line with the market's expectations and represents an 80 per cent advance over the previous year's £5.12m. And the current year has started strongly, the directors report.

Shareholders receive a dividend lift of 1.25p, with a final of 4.5p bringing the year's net total to 7.5p. They also get a scrip issue of 1-for-5 with the added promise that the current dividend will be maintained on the enlarged capital.

Two of the major contributors to the 1985 record results were Billingsgate, with the sale of the Old Market Building to Citibank and the subsequent disposal of the interest in the 185,000 sq ft twin office towers, let to Samuel Montagu.

And at Waterside Park, Bracknell, with the pre-letting of the entire 105,000 sq ft high technology facility to Hewlett Packard at a record rent and the subsequent completion of construction works.

Turnover in the year surged from £33.38m to £72.06m and rents received rose from £1.11m to £1.44m. It is forecast that the substantial additions made during the year will increase net rental income to £2.5m in a full year.

Operating profit came to £7.31m (£4.36m) with an additional £337,000 (£118,000) from associates, and there was net interest credited of £113,000, compared with a net charge of £471,000.

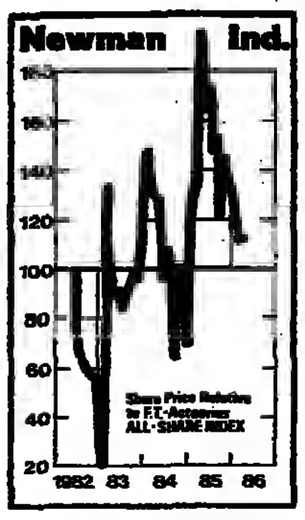
Available net profit is £6m (£3.98m) to give earnings of 31.6p (22.1p) or 30.4p (21.3p) fully diluted.

● comment

The only question mark hovering over star-studded property stock like London & Edinburgh Trust is whether it can sustain growth in the long term. Yesterday the City concluded that it couldn't and the shares fell by 20p to 705p. LET counters that the Ropemaker Place and Curzon Street developments will emerge as successors to Billingsgate for 1986, and that Big Bang and the group's plans for European projects will take care of the long term. In the past, LET's financial wheezes have sent shock waves ricocheting through the property establishment, this year's selection of American imports — deep discount bonds and mortgage bonds — should prove no exception. Having traded on its reputation as a rising star for so long, LET now needs to demonstrate maturity. Augmenting the asset base — from now onwards the company plans to retain one in five of its developments for rental — should help, as should broadening the income base by building up financial services, something that John Gunn's non-executive directorship will help. Both schemes should also achieve the dual objective of reducing LET's tax charge, which crept up from 20 to 28 per cent last year. With both Ropemaker Place and the ambitious Paris development filtering through to profits, the City expects £13.5m and a p/e of 13 for 1986.

Second half decline only temporary says Newman Industries

Newman Industries, which was rescued through a refinancing three years ago, yesterday reported a sharp fall in second half profits but Mr Nigel McLean, the chairman, was again adamant that this was "only a temporary setback in performance."



Second half profits tumbled to just under £600,000, leaving the result for 1985 down from a restated £5.1m to £3.1m — the first time in five years that profits had not moved ahead, said the chairman.

Group turnover was higher at £85.2m, against £83.1m, but generated a lower operating profit of £6.9m, compared with £7.8m.

In addition, tax of £1.7m (£2.3m), extraordinary costs of £0.1m (£0.2m) and the 0.5p final dividend promised with last year's rights issue — making a 0.8p total (nil)—left Newman with a retained loss of £0.6m compared with a £1.7m profit.

Newman, which makes engineered assembly systems, electric motors, castings and cooling equipment, was hit, principally in the second half, by currency movements, quadrupled exceptional costs of £1.2m, and a lack of profitability from foundries.

Engineering and foundries lost £0.5m (profit £0.3m) and electric motors lost £1m (£1.6m). Interest charges were £2.6m (£2.4m).

However, during the year "there were a number of significant achievements, which have played an important role in securing the continued future growth and success of the company, despite our disappointing results," said Mr McLean.

● comment

Newman Industries' confident interim statement produced hopes for the full-year which were far from fulfilled by yesterday's disappointing results, and the shares shed another 4p to 28p. A downturn in Avdel's important US market's held back the subsidiary's sales growth and the effect of exchange rate movements, resulting mainly from Avdel's heavy dependence on overseas sales, took about £1m off profits. The exceptional costs of restructuring, mainly in the motors division, was sharply up, while foundries suffered continued operating difficulties, the loss of overseas contracts, and a £400,000 warranty claim in the second half. Newman views these as one-off factors: Avdel is now moving ahead nicely, motors could reach breakeven at the trading level this year, and foundries should be back in profit. A good deal of recovery is already in the price, however, and the shares are buoyed as much by the sight of Suter's 7 per cent stake as by the prospect of a dramatic upturn.

Bodycote ahead of forecast with £3m

Bodycote International hoisted pre-tax profits from £1.76m to £3.05m in 1985, against a forecast of more than £2.8m made at the time of the rights issue in November. As predicted, there were improved contributions from all divisions.

The final dividend is the forecast 3.5p for a net total up from 4.5p to 6p per 25p share on the increased capital. Stated earnings per share rose from an adjusted 12.7p to 28p.

A divisional split of taxable profits shows—metal treatment £1.62m (£1.42m); industrial protective clothing and safety products £1.48m (£0.63m); industrial and general textiles £842,000 (£595,000); financial services and property management £140,000 (£83,000); less head office expenses and bank interest of £1.04m (£972,000).

The company says all subsidiaries achieved a high utilisation of capacity and currently had good order books. Increased capital spending programmes have been authorised for all divisions, the major part of which will be funded from the rights issue proceeds (£2.7m net) with the balance from resources.

There has been a further marked reduction in the level of gearing.

All-round growth for L&C Advertising

SUBSTANTIAL growth has been shown by the London and Continental Advertising Holdings group in 1985, with turnover ahead from £17.64m to £28.66m and profit before tax surging from £1.8m to £3.5m.

The figures include a full 12 months of London and Provincial Posters, against seven in 1984, and Paddington Posters which was acquired in July 1985—in respect of this the comparisons have been adjusted in accordance with merger accounting principles.

In view of the results and the present trading position the dividend is lifted to 2.25p net per share, with a final of 1.5p. In 1984 there was a single 1.6p payment. In June of that year the group obtained a full listing after spending nearly four years on the USM.

Mr John Golfar, the chairman, reports that all parts of the group traded most satisfactorily. Further substantial progress was made in the reorganisation and rationalisation of London and Provincial Posters.

Group operating profit in the year almost doubled to £4.44m but is subject to increased interest charges of £928,000 (£562,000). Tax takes £1.49m (£823,000) to leave the net balance at £2.3m (£979,000), or 9.33p (6.27p) per share. There are extraordinary debits of £636,00 (£436,000).

● comment

The very scale of the increase in profits at London and Continental Advertising galvanised the market into pushing the shares up 14p to 185p, despite the fact that the figures themselves were little better than analysts had expected. LCA undoubtedly had an excellent year in 1985—swollen costs at the recently acquired London and Provincial were screaming out to be cut, while both posters and the non-poster advertising markets (from which LCA gets 30 per cent of its turnover) made healthy progress. After three years of earnings growth of more than 40 per cent, a fourth cannot be expected and this year progress is more likely to track growth in the advertising market overall. On profits of £4.3m a prospective p/e of 15 may be a bit generous. However, LCA is an aggressively run business keen to expand into related areas by acquision, although with gearing of about 60 per cent the srope to do so with cash looks limited.

Arenson returns to dividend list

Arenson Group, office furniture and equipment maker, lifted pre-tax profits from £60,000 to £236,000 in the six months to February 2, 1986 and as predicted in December the company has returned to the dividend list after a four year absence.

With stated half year earnings per 10p share up from 0.26p to 2p, the company is paying an interim dividend of 0.4p net, covered 4.39 times on a fully taxed basis.

Mr Archy Arenson, the chairman, says important progress has been achived. As usual, the second half should be much better than the first during which all the main holiday close down periods occur.

First-half turnover dropped from £7.39m to £6.95m due to the elimination of loss-making activities which were announced last year.

Financing charges were lower at £241,000 (£274,000). Tax took £21,000 (nil) and after extraordinary debits of £75,000 last time, net profit was £215,000, against a £15,000 loss. Interim dividend absorbs £49,000.

Scanro shakes off higher charges to move ahead

IMPROVED pre-tax profits, up from £414,286 to £550,281, are reported by Scanro Holdings, windsurf board manufacturer, for 1985. A goodwill write off of £68,276 reduced the pre-tax figure—in the previous year there was a Trade Mark write off of £25,000. Interest charges more than doubled from £20,781 to £43,008.

Turnover rose from £2.4m to £2.86m during the year and operating profits were up from £460,067 to £661,565.

The directors consider the overall results to be satisfactory, even though sales volume was lost in the second half due to a warehouse fire in July.

Although a sum of £68,276 has been written off in respect of goodwill, the share capital of the company is being reorganised so as to make further amortisation unnecessary in future years.

The total dividend of this USM quoted company is raised from 0.7p to 4p net with a final of 2.5p. Stated earnings per share, calculated on profit after tax but before goodwill written off, rose from 9.7p to 11.9p.

● comment

Scanro's profits may have been impressive but they were less spectacular than the market had expected. The goodwill write-off and sharply increased tax charge were also unwelcome surprises, and the shares, which had had their customary run-up ahead of the results, closed 7p down at 163p. The gradual acceptance of windsurfing as a sport rather than a craze is adding to the perceived quality of Scanro's earnings and its entry into the sailmaking market is bringing turnover growth at higher margins. The group is nevertheless sensitive to criticisms that it is a one-product company and the current year will mark a major attempt at diversification into leisure goods with its entry into the tennis and casual shoe market. This is an ambitious and expensive departure for a company whose previous experience has been wholly aquatic and its chances of success have to be weighed against the intensive competition. In the meantime, £900,000 is in sight for the year on a tax charge of 37 per cent. This puts the shares on a prospective p/e ratio of 9, a rating which suitably reflects the City's caution.

Ash & Lacy rises to £3m

A RECOVERY in the second six months of 1985 enabled Ash & Lacy to lift its full year profits from a depressed £2.87m to £3.01m pre-tax.

The directors expect the current year to show an improvement but say it would be unwise to assume that profits for 1986 will be as much as double the £1.83m returned for the second half of 1985.

They point out that the recovery in that period was partly due to the closure of the galvanising plant at Blackwell and the Flospan relocatable building project at Cradley Heath, both of which were unprofitable. A general improvement in most areas of the group also helped the recovery.

Turnover for the year improved to £34.93m (£32.61m). Earnings came through at 34.5p (32.9p) and a final dividend of 10.25p increases the total from 20p to 20.25p net.

Tax took £1.56m (£1.49m) and extraordinary items £264,000 this time. The group manufactures perforated metal, steel cladding and galvanisers.

Westwood Dawes sets sights on growth

Westwood Dawes, mechanical handling engineering group, has earned a profit of £40,000 in the second half of 1985 to give a year's total of £102,000. This is the first surplus for a number of years and compares with the £82,000 loss last time.

Following the share placing and rights issue in February 1985 and the injection of further funds a year later, the directors are looking for expansion. In order to conserve cash resources they have decided against a return to dividends at this stage.

After this year's capital injection, Mining and Allied Investments, registered in Jersey, holds 29.77 per cent of Westwood Dawes and has two representatives on the board.

The directors say the company in the strongest financial position it has been in for many years. They intend to expand the operational base by organic growth and suitable acquisitions.

BASE LENDING RATES

ABN Bank	11½%	Grindlays Bank	‡11½%
Allied Dunbar & Co.	11½%	■ Guinness Mahon	11 %
Allied Irish Bank	11½%	■ Hambros Bank	11½%
American Express Bk.	11½%	Heritable & Gen. Trust	11½%
Amro Bank	11½%	■ Hill Samuel	§11½%
Henry Ansbacher	11½%	C. Hoare & Co.	11½%
Associates Cap. Corp.	11½%	Hongkong & Shanghai	11½%
Banco de Bilbao	11½%	Johnson Matthey Bkrs.	11½%
Bank Hapoalim	11½%	Knowsley & Co. Ltd.	12 %
Bank Leumi (UK)	11½%	Lloyds Bank	11 %
Bank Credit & Comm.	11½%	Edward Manson & Co.	12½%
Bank of Ireland	11½%	Meghraj & Sons Ltd.	11 %
Bank of Cyprus	11½%	Midland Bank	11 %
Bank of India	11½%	■ Morgan Grenfell	11 %
Bank of Scotland	11 %	Mount Credit Corp Ltd	11½%
Banque Belge Ltd.	11½%	National Bk. of Kuwait	11½%
Barclays Bank	11 %	National Girobank	11½%
Beneficial Trust Ltd.	12½%	National Westminster	11 %
Brit. Bank of Mid. East	11½%	Northern Bank Ltd.	11 %
■ Brown Shipley	11½%	Norwich Gen. Trust	11 %
CL Bank Nederland	11 %	Peoples Trust	12½%
Canada Permanent	11 %	PK Finans. Intl. (UK)	12½%
Cayzer Ltd.	11 %	Provincial Trust Ltd.	12½%
Cedar Holdings	13 %	R. Raphael & Sons	11½%
■ Charterhouse Japhet	11½%	Roxburghe Guarantee	12 %
Citibank NA	11 %	Royal Bank of Scotland	11½%
Citibank Savings	¶11.95%	Royal Trust Co. Canada	11½%
City Merchants Bank	11½%	Standard Chartered	11 %
Clydesdale Bank	11 %	Trustee Savings Bank	11 %
C. E. Coates & Co. Ltd.	12½%	United Bank of Kuwait	11 %
Comm. Bk. N. East	11½%	United Mizrahi Bank	11 %
Consolidated Credits	11½%	Westpac Banking Corp.	11½%
Continental Trust Ltd.	11 %	Whiteaway Laidlaw	11½%
Co-operative Bank	*11½%	Yorkshire Bank	11 %
The Cyprus Popular Bk	11½%		
Duncan Lawrie	11 %		
E. T. Trust	12½%		
Exeter Trust Ltd.	12 %		
Financial & Gen. Sec.	11½%		
First Nat. Fin. Corp.	12½%		
First Nat. Sec. Ltd.	12½%		
■ Robert Fleming & Co.	11 %		
Robert Fraser & Ptrs.	12½%		

■ Members of the Accepting Houses Committee.
* 7-day deposits 7.80%. 1-month 8.05%. Top Tier—£2,500+ at 3 months' notice 10.72%. At call when £10,000+ remains deposited.
‡ Call deposits £1,000 and over 8% gross.
¶ Mortgage base rate.
§ Demand dep. 7.00%. Mortgage 12.25%.

FT LAW REPORTS

Argyll fails to stop Guinness bid for Distillers

ARGYLL GROUP PLC AND OTHERS v DISTILLERS CO PLC

Outer House of the Court of Session: Lord Jauncey: April 4 1986

ABUSE OF dominant position in the Common Market does not arise out of merger between two companies unless it would lead to a significant and abnormal alteration in the level of competition, attributable only to exercise of dominant position. And, in proceedings against the companies to stop an alleged anti-competitive merger, the court will not make an interlocutory order restraining them from taking steps towards merger if, on the information before it, it doubts the existence of a dominant position or an abuse.

Lord Jauncey so held in the Outer House of the Court of Session in Edinburgh when refusing an application by Argyll Group plc and its subsidiary, Amalgamated Distilled Products plc, for an interim order restraining Distillers Company plc and Guinness plc from taking steps towards a merger.

The application came before Lord Jauncey at the interim stage of an action to interdict the merger as being contrary to EEC competition law. It was made *ex parte* in the Scottish sense that information was laid before the court unaccompanied by affidavits. Distillers, having lodged caveats, was entitled to be heard.

Article 86 of the Treaty of the European Economic Community (EEC) provides: "Any abuse by one or more undertakings of a dominant position within the common market or in a substantial part of it shall be prohibited . . ."

* * *

LORD JAUNCEY said that Argyll and Guinness had both made takeover bids for Distillers. April 18 was the final day for acceptances.

Argyll owned two malt distilleries which were not in production. It also sold whisky blended to its own order in Belgium and elsewhere.

Guinness owned Bells, which distilled and blended Scotch whisky. Bells owned five malt distilleries.

There were 117 malt distilleries in Scotland, of which 84 were in production. Of those 84, Distillers owned 24, 21 of which were out of production, but 10 of which could be returned to production without undue difficulty. A further 12 distilleries owned by others were also out of production.

Argyll maintained that the proposed merger would amount to a contravention of article 86 of the EEC treaty in its effect on the market for malt fillings in the UK; and in its effect on the market for blended whisky in Belgium.

"Malt fillings" were the malt whiskies acquired by blenders to make the appropriate blend. Since most blended whiskies contained a number of different malt fillings it was normal in the trade for distillery owners to swap malt fillings rather than pay cash.

Argyll contended that Distillers was in a dominant position within article 86 in the malt fillings market and in the Belgian blended whisky market; that the merger would constitute an increase in the strength of Distillers' dominant position amounting to an abuse; and that it would affect trade between member-states.

It asserted that the results of merging Distillers and Bells would be that: (1) the structure of the malt fillings market would be altered in as much as Distillers' position would be strengthened by the addition of Bells' five distilleries, whereas the remainder of the market would be reduced with consequent greater difficulty to persons requiring malt fillings on a swap basis; (2) the sweeping into the Distillers fold of Bells, a competitor, would alter the structure of the Belgian market to Argyll's detriment.

It was not in dispute that article 86 conferred rights on *persons who might suffer loss or damage* as a result of its breach. However, such persons must establish a number of matters before they could successfully invoke the article.

They must first identify the products market, and the geographic area in which the undertaking was said to be dominant. They must then demonstrate that the undertaking was in fact in a dominant position; that there had been an abuse of that dominant position; and that such abuse affected trade with member states (see *United Brands [1978] 1 CMLR 429*).

In the present case no question arose as to the products and geographic markets in relation to the market fillings and, having regard to the high consumption of Scotch whisky in Belgium, it was justifiable to proceed on the basis that the Belgian product market, for the purpose of the petition, was Scotch whisky and not general spirit as argued by Distillers.

The predominant feature of a dominant position had been held to be the ability of an undertaking to act without taking account of competition, and independently of its consumers (see *United Brands* and *Hoffman-La Roche [1979] 3 CMLR 211*).

Taking the averments in the petition and the information provided during the debate, it was doubtful whether Argyll had a *prima facie* case as to the dominance of Distillers in either of the two markets.

Assuming however, that it was in a dominant position, the question was whether there had been an abuse of that position within article 86.

That a merger of two undertakings could *per se* amount to an abuse by one of them of its dominant position was established in *Continental Can [1973] 2 CMLR 199*. But looking at other cases it seemed reasonably clear that something more than mare alteration, albeit measurable, in the level of competition was required before the event producing that alteration could be categorised as an abuse — see *Commercial Solvents (1984) 13 CMLR 309; Michelin (1985) 42 CMLR 282; Felixstowe Dock and Railway Co [1976] 2 CMLR 655*.

From those cases it was taken that an abuse for the purposes of article 86 must be constituted by some act which had a significant and abnormal effect on the market, to the extent that the degree of competition was not only altered thereby, but was distorted in a manner which could only be achieved by the exercise of a dominant position.

Looking at the averments and having regard to the further information, there was considerable doubt as to whether the proposed merger could ever be said to constitute an abuse for the purposes of article 86.

*

The advantages and disadvantages to either party of granting or refusing interim interdict remained to be considered.

If interim interdict were granted, the way was likely to be clear for the Argyll bid to proceed unopposed. If it were refused, both bids remained open to Distillers shareholders.

The court was informed that the cost incurred by Guinness in connection with its bid had been enormous. If both bids proceeded and Argyll's was accepted, Argyll lost nothing by not obtaining interim interdict. If Argyll's bid failed, its possible loss as competitor and operator in the two markets would appear minor in comparison with that sustained by Guinness in the event of its being prevented from presenting its offer.

If the merger were ultimately held to be an abuse, Argyll could probably recover any quantifiable loss by way of action for damages (see *Garden Cottage Foods [1984] 1 AC 130*).

*

Having regard (1) to his doubts as to whether Argyll had made out a *prima facie* case for Distillers being in a dominant position in the relevant markets; (2) to his doubts as to whether, if Distillers were in such a position, a proposed merger would constitute an abuse; and (3) to the possible consequences of granting or refusing interim interdict, Lord Jauncey concluded that the balance of convenience required that Argyll's motion be refused.

For Argyll: W. Prosser QC and Drummond Young (Dorman Jeffrey).

For Distillers: A. C. Hamilton QC (McGrigor Donald and Moncrieffs).

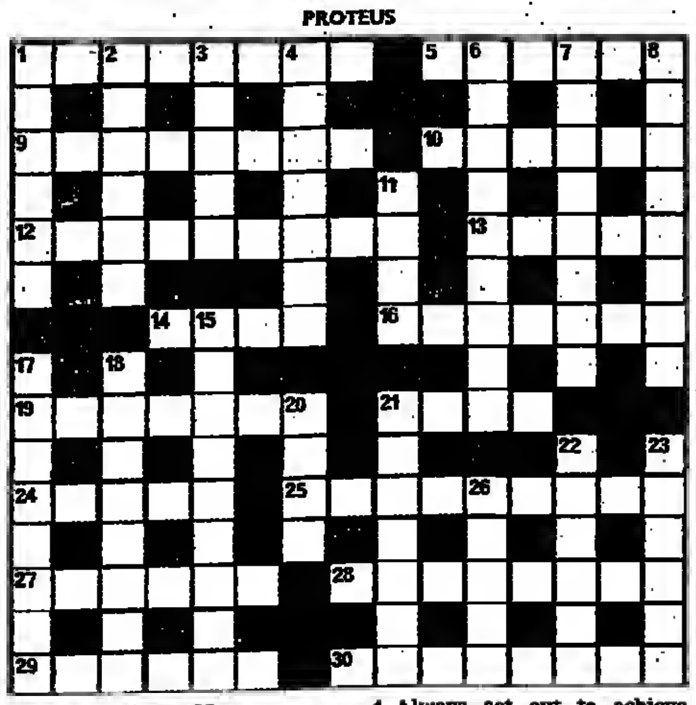
For Guinness: J. G. Milligan QC and D. A. O. Edward QC (W. and J. Burness).

By Rachel Davies
Barrister

In re L. B. Holliday, FT March 25 1986 solicitors for Holliday (Holdings) were Manchea and Co, for Hetherton and Dempsey, York.

F.T. CROSSWORD PUZZLE No. 5,992

PROTEUS



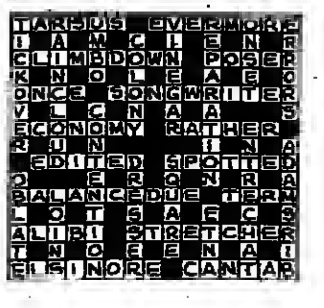
ACROSS

1 Legal officer who gets on in fine weather (8)
5 Six perhaps proving great success (3, 3)
9 Read about spreading of lies and quite understood (8)
10 Novice putting cigarette out on bottle (6)
12 Spring leading newly-wed from gaol? (9)
13 Pope who had city connections apparently (5)
14 Customary tax on part of crofter's cottage (4)
16 He grumbles about old cab (7)
19 Felt discontent when traveller had to dine out (7)
21 Gospel gaining currency (4)
24 Writer engaged in bugging or kissing (5)
25 Large rat that sounds like a bow-legged bird (9)
27 Choice delicacy bird tried to eat it seems (6)
28 Urges underworld to acquire fine china? (3-5)
29 Bound to have elasticity (6)
30 Take up and checked (8)

DOWN

1 Cancels on account of scientific difficulties (8)
2 Repast that is just one ear of maize (6)
3 Nothing bad about this fruit (5)
4 Always set out to achieve the highest pinnacle. (7)
6 Sick jokes resulting from bad temper? (3-6)
7 Drink that may prove hard to take (8)
8 Figure-worker on track of estate dwellers (8)
11 Droop like a flower (4)
15 State term of contract (9)
17 Ships' gun fires wildly round. (8)
18 Surgeon for example who deals in stocks (8)
20 Fishes' finger-prints (4)
21 He runs one in crib (7)
22 Spy with way to money (6)
23 Fashioned pen was first in the field (6)
26 Children's publication (5)

Solution to Puzzle No. 5,991



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Amer Tech & Genl Fd	103.0	110.2	-2.7	0.55
European Growth	28.8	30.8	-0.1	0.03
European Income	32.1	34.4	-0.1	5.00
Exempt	72.03	565.3		2.03
Intnl Growth Fd	26.2	29.2	+0.1	0.13
International Income	57.0	61.0		4.96
Jap Tech & Genl	80.9	86.6	+0.3	0.01
Pacific Fund	144.1	154.2		0.01
Secure Income Fd	177.8	189.4	+0.4	4.54
Small Co's Fd	37.4	40.0		1.45
Special Sits	212.2	227.0	+0.1	2.10
UK General Fund	34.5	36.9	—	2.32

Standard Life Trust Mgmt. Ltd
3 George St, Edinburgh EH2 2XZ 031 225 2552

Income Units	262.7	281.0	+0.9	2.46
Accum. Units	290.7	311.6	+1.0	2.04

Stewart Ivory Unit Trust Mgrs Ltd (a)
41 Charlotte Sq, Edinburgh 031-226 3271

American Fund	214.6	228.5	-4.0	2.23
(Accum. Units)	251.0	256.6	-4.5	2.23
(Withdrawal Units)	151.3	165.0	-2.9	2.29
Australian Fund	120.6	128.4	-1.9	1.04
(Accum. Units)	121.9	129.8	-2.0	1.04
British Fund	580.6	618.4	+2.6	4.30
(Accum. Units)	782.0	833.0	+3.5	4.30
European Fund	259.3	276.2	+2.3	0.87
(Accum. Units)	273.0	290.8	+2.4	0.89
Japan Fund	253.1	269.6	-0.9	0.37
(Accum. Units)	254.3	270.9	-1.0	0.37
Saints PPP	157.2	165.9	..	—

Sun Alliance Fund Management Ltd
Sun Alliance House, Horsham 0403 56293

Equity Tst	401.7	427.3	-0.1	2.03
North America	56.1	59.6	-1.0	1.15
Far East	63.7	67.7	-0.4	0.34

Sun Life Trust Mgmt. Ltd
107 Cheapside, London EC2V 6DU 01-606 6010

Aetna Life Insurance Co Ltd
401 St John St, London EC1V 4QE 01-833 2303

Albany Life Assurance Co Ltd
3 Darkes Lane, Potters Bar 0707 42311

Allied Dunbar Assurance Plc
Allied Dunbar Ctr, Swindon SN1 1EL 0793 28291

INSURANCES

هكذا من الأصل

INSURANCE, OVERSEAS & MONEY FUNDS

Skandia Life Assurance Co Ltd
Frobisher Hse, Nelson Gte, Southampton 0703 334411

Skandia Life Funds				
Managed Fd.	210.1	221.1	-0.7	—
Equity Fd.	229.4	241.6	-1.5	—
International Fd.	229.4	241.4	-1.0	—
Gilt Plus Fd.	176.0	185.3	+0.2	—
Property Fd.	151.0	158.9	+0.1	—
Deposit Fd.	153.2	161.2	-0.1	—
North American Fd.	121.5	127.8	-1.1	—
North European Fd.	184.2	193.8	+0.3	—
Int. Recovery Fd.	143.9	151.4	-0.6	—
Pacific Fd.	146.1	153.7	+0.1	—

Teachers' Assurance Company Ltd
12 Christchurch Rd, B'mouth BH1 3LW 0202 291111

Managed Fund	169.5	178.4	—	—
Gilt & Fixed Int Fd.	137.5	144.7	—	—
Cash Fund	117.6	123.8	—	—

Transatlantic Life Assur Co Ltd
8 New Rd, Chatham, Kent Medway 812348

LACOP Units	£16.15	16.96	—	—

Transinternational Life Ins. Co Ltd
55-57 High Holborn, WC1V 6DU 01-831 7482

Trident Life Assurance Co Ltd
London Road, Gloucester 0452 500500

OFFSHORE AND OVERSEAS

World Wide Growth Management
10a, Boulevard Royal, Luxembourg

Worldwide Gth Fd.	$15.85			—

Inv Adv.: M. & G. Inv. Mngt., Ltd, London

Yamaichi Dynamic Mngt Co SA
10A Boulevard Royal, Luxembourg

Adagnord Tech	$14.70		—	—
Dynamic Gwth Fd.	$14.34		—	—

Zero Bond Fund Limited
PO Box 208, St Peter Port, Guernsey 0481 26268

Zero Bond Fund	$11.84	12.55		—

Money Market Trust Funds

	Gross	Net	Gr Equiv CAR	Int Cr
The Charities Deposit Fund 77 London Wall, London EC2N 1DB			01-588 1815	
Deposit	11.35		—	3-Mth
The Money Market Trust 63 Qn Victoria St, EC4N 4ST.			01-236 0952	
Call Fnd	11.56	8.64	12.68	6mth
7-Day Fnd	11.86	8.86	15.07	6mth
Oppenheimer Money Management Ltd 66 Cannon St, EC4N 6AE.			01-236 1425	
Call Fnd	11.14	8.33	11.97	6-Mth
7-day Fund	11.32	8.46	12.34	6-Mth
Dollar	6.00	—	—	6-Mth

Money Market Bank Accounts

	Gross	Net	Gr Equiv CAR	Int Cr
Adam & Co. plc 22 Charlotte Sq, Edinburgh EH2 4DF			031-225 8484	
Fin Service Cur Acc.	11.00	8.00	11.77	Qtr
Aitken Hume 30 City Road, EC1Y 2AY.			01-638 6070	
Treasury Acc	11.00	8.23	12.12	Qtr
Mo. Int. Chq.	11.00	8.22	12.20	Mth
Allied Arab Bank Ltd 97-101 Cannon St, London, EC4N 5AD			01-283 9111	
BIBCA	12.20	9.04	15.28	Mth
Bank of Scotland 38 Threadneedle St, EC2P 2EH.			01-628 8060	
Money Mkt Cheque Acc	10.75	8.03	11.74	Mth
Barclays Prime Account PO Box 125, Northampton			0604 252891	
High Int. Cheque	10.75	8.00	11.78	Qtr

TRADITIONAL OPTIONS

3-month call rates

NOTES

COMMODITIES AND AGRICULTURE

Oil prices see-saw in volatile markets

By Dominic Lawson

OIL MARKETS on both sides of the Atlantic fluctuated wildly yesterday as traders attempted to weigh up the impact and possible duration of the Norwegian offshore oilworkers strike, and the simultaneous re-entry of the Soviet Union as a seller in the European spot market.

UK North Sea Brent for prompt delivery opened at around $15 a barrel, more than $1 above Monday's close and 50 per cent up on last week's record low of under $10.

But as it became clear that there were still some 10 cargoes of unsold Brent crude available for prompt delivery, sellers were forced to consider prices as low as $14 a barrel.

May Brent shipments, having traded as high as $14.40 in the morning, saw a continuous decline down to $13.50. The main fear was that producers such as Mexico, Egypt and the Soviet Union would fill the gap left by a cessation of the Norwegian output of 900,000 barrels a day, and that the inevitable subsequent return of Norwegian oil would see an even fiercer price war in May.

Nigeria conceded yesterday that it was producing at 1.6m b/d, 300,000 b/d over quota, but claimed that it would not produce more to take advantage of the Norwegian strike, which the Norwegian Government is unwilling to end by compelling arbitration.

On the New York Mercantile Exchange May contracts for West Texas crude fell by $1.33 to $13 a barrel with falls of over 90c for later months. Mr Peter Beutel, oil analyst at Rudolf Wolff in New York said: "Traders are looking for any excuse to take profits after five uninterrupted days of price rises. The market is very nervous and volatile."

The US market's volatility was in large part due to a continued confusion as to the view of the US Administration on the desirability of very low oil prices. Mr Donald Hodel, the Secretary of the Interior and former Energy Secretary, insisted yesterday that the Administration should do nothing to protect the US domestic oil industry, adding: "We have got to withstand the impulse to come in and tamper with the market."

This seems a veiled attack on Mr George Bush, the Vice President, who has been arguing that the US should protect its domestic industry for national security reasons.

Mr Bush appeared yesterday to be trying to talk the oil price up. Speaking in Bahrein, be said that market forces will make oil prices rise and that "some sort of recovery is essential."

WEEKLY METALS

All prices are supplied by Metal Bulletin.

ANTIMONY: European free market, 99.6 per cent, $ per tonne, in warehouse, 2,710-2,750.

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehousa, 2.90-3.30.

CADMIUM: European free market, min. 99.95 per cent, $ per lb, in warehouse, ingots, 0.91-0.95, sticks, 0.93-0.98.

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 8.90-9.40.

MERCURY: European free market, min. 99.99 per cent, $ per flask, in warehouse, 225-240.

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 2.65-2.75.

SELENIUM: European frea market, min. 99.5 per cent, $ per lb, ln wareboase, 6.15-6.25.

TUNGSTEN ORE: European free market, standard min. 65 par cent, $ per tonne unit WO_3, cif. 50-56.

VANADIUM: European free market, min. 99 per cent V_2O_5, other sources, $ per lb V_2O_5, cif 2.50-2.60.

URANIUM: Nuexco exchange value, $ per lb U_3O_8, 17.25.

Miners' strike threatens Australian coal exports

BY PATRICIA NEWBY IN MELBOURNE

COAL EXPORTS from some Australian ports will be disrupted from tomorrow following the decision yesterday by mass meetings of coal miners in New South Wales to strike for seven days in support of pay claims.

The rest of the country's 30,000 coal mine workers are expected to join them by the end of the week and another seven day national stoppage has been called for the week beginning next Wednesday.

Australia mines about 120m tonnes of coal a year and its exports of around 100m tonnes make it the world's biggest exporter of both steaming and coking coal, with Japan being by far the largest market.

Coal is the country's biggest export income earner and an important major source of revenue for state governments through rail and port handling charges.

After three years of comparative peace in the coal industry the current round of industrial strife is looming as one of the most serious ever. The last major strikes were in 1981 when the coal industry was still booming.

But this wave of industrial action could not have come at a worse time for coal mine owners. There is world oversupply of coking coal and Australian producers were recently forced to take a cut of A$2 (£1) a tonne in contract prices with Japan. Steaming coal prices are under pressure because of lower oil prices.

Japan will be able to use Australia's poor industrial relations as a weapon in the current Australia-Japan negotiations over 1986 steaming coal contract prices and tonnages.

The devaluation of the Australian dollar over the past year has helped some miners climb back into profitability, but the situation is fragile.

The Australian Coal Association, which represents employers, estimates the cost of the strike in lost production at A$20m a day.

Coal stockpiles at ports have been eroded by the traditional three-week Christmas holiday break, followed by the seven-day miners strike in February and the traditional 10-day Easter break.

There are already two ships waiting off Newcastle which will not be loaded and another seven are due within the week.

Queensland port stockpiles are probably sufficient to withstand a seven day stoppage at the mines.

At this stage the outlook for a quick settlement looks gloomy. No further talks between the parties are scheduled. The union hard liners appear to have won the day over more moderate elements and coal proprietors are standing firm on their settlement terms because they say the industry cannot afford big pay rises at this time.

Pay negotiations have been going on since before Christmas. The miners were seeking a 30 per cent pay rise based on improved productivity in the industry. The Minister for Industrial Relations, Mr Ralph Willis, intervened last month and chaired two days of meetings between the parties which appeared to reach basic agreement.

The coal owners offered a package which included a 3 per cent pay rise worth around A$21 a week and improved conditions including an extra five days sick leave which would be paid out in cash on retirement if a miner did not use it. However, the union leadership yesterday recommended strike action be taken without even detailing the owners' offer. The average coal miner's pay with bonuses and overtime is around A$790 a week, nearly twice average male weekly earnings throughout the whole economy.

The industrial troubles may cause a shake-out in the industry by giving coal owners the chance to shed uneconomic operations although the process of permanent mine closures will be painful to both coal owners and workers.

● Workers at Western Mining Corporation Holdings' nickel operation at Kambalda, Western Australia, remained on strike yesterday as the dispute spread to the Boulder nickel smelter and a company gold mine, reports Reuter from Melbourne.

The 1,500-strong Kambalda workforce downed tools six days ago in protest at a redundancy package for 190 workers being laid off in a restructuring of the nickel operation. A revised offer by the company on Monday was also rejected.

About 200 workers at the company's Boulder nickel smelter held a 24-hour sympathy strike yesterday and about 200 miners at a Mount Magnet gold mine have also struck.

Western Mining is cutting its annual nickel production by about 10 per cent by closing five of its 11 Kambalda mines immediately and ceasing production at the South Windarra open-pit mine in three months' time. It produced 46,072 tonnes of nickel in the year ended last June.

The closures are in response to low nickel prices and rising production costs, including wages and a planned tax increase for companies providing employee housing.

Bonn worried over farm prices following EMS realignment

BY PETER BRUCE IN BONN

WEST GERMANY has become seriously concerned that it may lose the support of the new French Government in its efforts to block any price cuts during European community negotiations starting in Brussels later this month, to set farm prices for the 1986-87 agricultural year.

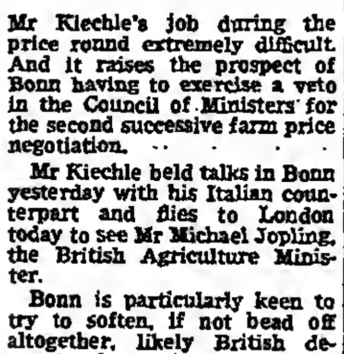
A first meeting between Bonn's Agriculture Minister, Mr Ignaz Kiechle, and Mr Francois Guillaume, his new French counterpart, two weeks ago in Brussels seemed to herald broad agreement on opposition to price cuts proposed by the European Commission. But German officials now fear that the price advantage available to Paris because of last weekend's European Monetary System realignment might prove big enough to enable the French to accept modest price cuts on soma products.

Community farm prices are set in European Currency Units, or ECUs, which, in "green" (agricultural) version has been designed since 1984 to move in sympathy with the community's strongest currency, now the D-mark. A routine adjustment in Brussels yesterday of monetary compensation amounts (MCAs)—cross border taxes on farm products designed to ensure price uniformity — means that French farmers receive no immediate advantage from their devaluation. However, Paria intends to seek, probably after the price round, the elimination of its negative MCA in order to pass on the benefits of the devaluation of the franc to its farmers.

West German farmers are anxious that a later readjustment of MCA'a would give their French competitors a major price advantage, perhaps as much as 6 per cent. It is rare that a request by a community member whose currency has been devalued, for a cut in MCA, is turned down in Brussels.

Bonn has responded to these broad fears by promising to make national state aids available to German farmers should they be seriously affected. Agriculture Ministry officials say this would probably involve increasing the number of farms eligible for extra aids because they are deemed to be in "disadvantaged" areas. The president of the German Farmer's Association, Mr Constantin Freiherr Von Heereman, yesterday called for a national emergency programme to help German farmers, and said this should include efforts to relieve some farmers of their debt.

The unease amongst German farmers, a very important political lobby for Chancellor Helmut Kohl's conservative coalition government as it approaches a ganeral elaction next January, and new uncertalnty about bow the French will react to European Commission proposals to cut the prices of some produce is likely to make Mr Kiechle's job during the price round extremely difficult. And it raises the prospect of Bonn having to exercise a veto in the Council of Ministers for the second successive farm price negotiation.



Mr Ignaz Kiechle, West Germany's Agriculture Minister

Mr Kiechle held talks in Bonn yesterday with his Italian counterpart and flies to London today to see Mr Michael Jopling, the British Agriculture Minister.

Bonn is particularly keen to try to soften, if not head off altogether, likely British demands for price cuts. Mr Kiechle will try to convince London that price cutting will not help solve the Community's fundamental agricultural problem — surpluses.

Instead, Mr Kiechle and his officials have tried to work out a package of alternative measures to present in Brussels. These are not entirely new, but involve trying on the one hand to encourage farmers to turn to crops in which there are no European surpluses and, on the other, to stop farming altogether. The Agriculture Ministry here believes it could take out 3m tonnes of cereals — from a West German average of 24m tonnes a year recently — in a "very short time."

This scheme would involve both the community and national governments paying compensation to farmers ready to stop commercial production on their land. Bonn's thinking at the moment is that the community could pay around 25 per cent of such compensation, putting the burden of compensation on national governments which would then be more likely to police such a scbeme carefully. The Agriculture Ministry says about 20 per ceot of German farmers wonld be interested in such a scbeme.

World Bank's warning to copper industry

BY STEFAN WAGSTYL

THE COPPER industry faces a decade of steady but unspectacular growth according to a draft report from the World Bank due to be published later this year.

The bank predicts that copper consumption in the Western world will grow by 1.9 per cent annually in the years 1983 to 1995, rising from 7.19m tonnes to 9.02m. Mine production is expected to grow at 0.8 per cent over the same period from 6.53m tonnes to 7.17m tonnes.

Prices should stay at their present low levela for some tima in real terms says the bank. The US dollar equivalent of the London Metal Exchange price could be 96 cents a pound in 1990 and 135.6 cents in 1995. But after ellowing for inflation, this would amount to 65.4 ceots a pound in 1990 and 73.9 cents in 1995 (in constant 1985 dollars).

These projections are the bank's base forecasts, reflecting its view of wbat is most likely to bappen. They are based on the assumption that economic growth in industrialised conntries will average a steady 3.1 per cent a year until 1990 and a little more in the 1990s, and that developing countries will grow at the rate of 5 per cent a year for the rest of the 1980s and 5.1 per cent in the early 1990s.

COPPER MARKET PROJECTIONS
(excluding centrally-planned economies)
('000 tonnes a yea)

	1983	1990*	1995*
Mine capacity	7,442	7,890	7,830
Mine production	4,529	7,078	7,174
Refined production	7,664	8,303	8,845
Consumption	7,190	8,333	9,022

* Projected.
Sources—1983. World Bureau of Metal Statistics; 1990 and 1995, World Bank

The report says that one nf its most important cooclusions is that copper prices over the next 10 years are likely not only to be much lower in real terms than in the past two decades but also much less volatile — remaining within the narrow range of 60 to 75 cents a pound. This is because of the amount of idle mine, smelter and refinery capacity around the world. Many mines would stay closed if prices behave as forecast, but would be brought back into production if prices etarted rising. This would moderate the extent of any price increase.

The World Bank believes that the share of state-owned companies In the world market is unlikely to increase, despite the closure of a number of privately-owned US mines. An expected reduction in Zambia's output is likely to limit the total expansion of the atate-owned sector. In Chile, the expected expansion of the state-owned company Codelco is likely to be matcbed by similar increases by privately-owned companies.

However, the bank says that if consumption falls instead of increasing as predicted then thare could be a further dramatic increase in the etate-owned companies' share of production since more cuts will come from privately-owned companies. With the exception of Zambia, state-owned companies are generally low-cost producers and would be in e better position to survive, even without government support.

The report warns that future industry prodnction and investment decisions will require great attention to cost-competitiveness. "Because of sluggish demand, producers bave been competing for survival."

Looking at the copper industry in individual countries, the World Bank says that US mine capacity will decline further from 1.45m tonnes at the end of 1985 to 1.05m tonnes by 1996, as many temporary closures become permanent and new capacity is limited

Looking at consumption, the bank sees copper continuing to lose markets to other materials. Consumption is not expected to grow in industrialised conntries. except Japan, but sbould increase in certain developing nations.

LONDON MARKETS

THE LONDON coffee futures market was basically weak all day. A strong reccvery in New York overnight meant that London valnes were "dne" to rise somewhat more than £100 a tonne at the opening but at its peak the July qootaiton only managed a rise of around £70 soon after the opening and steadily slipped back from that level. And an easier opening in New York encouraged a cootinued slide which left July coffee £4.50 down on the day at £2,317.50 a tonne. Dealers said the dull tone in the physical market remained one of the main factors weighing down futures. They thought roasters were hanging back awaiting a recovery in retail demand. On the London Metal Exchange coper values moved lower under pressure from firmer sterling and the cash higher grade position closed £12.75 down on the day at £967.50 a tonne. Other base metals were also lawer with the exception of zinc, which managed a smal rise as continuing hullish fndamentals were helped by news that Norzinc had declared force majenre on zinc and alloy shipments and that OECD European zinc stocks fell in February.

LME prices supplied by Amalgamated Metal Trading.

ALUMINIUM

Official closing (am): Cash 794-5 (785.5-6), three months 810-0.5 (815-6), settlement 795 (786). Final Kerb close: 813.5-14.

	Unofficial close (p.m.) £ per tonne	+ or —	High/low
Cash	793.5-4.5	—1.5	— /794
3 months	811-2	—6.25	818/810

Turnover: 18,760 tonnes.

COPPER

Official closing (am): Cash 968-8.5 (979-80), three months 990-0.5 (1000-1), settlement 968.5 (980). Final Kerb close: 990-91.

Turnover: 43,550 tonnes. US Producer prices 69-74 cents per pound.

LEAD

Official closing (am): Cash 256.5-7 (255.5-6), three months 262.5-3 (261.5-2), settlement 257 (256). Final Kerb close: 262.5-3.5.

Turnover: 12,700 tonnes. US Spot 18.25-20 cents per pound.

NICKEL

Official closing (am): Cash 2720-30 (2740-50), three months 2780-5 (2795-800), settlement 2730 (2750). Final Kerb close: 2815-20.

Turnover: 1,062 tonnes.

ZINC

Official closing (am): Cash 449-9.5 (441.5-2), three months 458.5-60 (452.5-3), settlement 449.5 (442). Final Kerb close: 460-0.5.

Turnover: 12,400 tonnes. US Prime Western: 32.5-36.6 cents per pound.

GOLD

SILVER

MEAT

SUGAR

Prices gained another $5 after which technical reaction occurred, reports C. Czarnikow.

INDICES

FINANCIAL TIMES

REUTERS

DOW JONES

MAIN PRICE CHANGES

In tonnes unless otherwise stated.

COCOA

At the end of an active day, futures closed at almost unchanged levels. Physical interest was restricted to second-hand business with both consumers and producers withdrawn, reports Gill and Duffus.

COFFEE

London failed to open as high as expected after a spectacular recovery in New York on Monday night. Amidst rumours of bullish crop reports, that never materialised, London managed to open £50 higher in light volume and then slowly fell for the rest of the day. Physical offtake appeared nonexistent and trade selling kept values at bay, reports Drexel Burnham Lambert.

SOYABEAN MEAL

GRAINS

POTATOES

RUBBER

OIL

GAS OIL FUTURES

FREIGHT FUTURES

US MARKETS

ANOTHER FIRM show on the oil markets in the wake of both the Norwegian production shutdown and repeated American wishes to see stable market prices rallied the precious metal markets, reports Heinold Commodities. Copper continued the brighter tone exhibited on Friday as commission house buying served to underline important chart support levels. Sugar again saw good speculative and trade buying as rumours of imminent offtakes by India and Pakistan added to constructive chart signals. Cocoa came under further liquidation pressure as disappointment following the failure of the market to rally in the previous week led to a dip below important chart support points. Coffee traded sharply lower to limit—down at mid-session but commission house buying towards the close rallied prices by as much as 13c. The soyabean complex gained ground on a technical correction after recent losses.

Because of the temporary widening of the time gap between the US and Britain last night's New York and Chicago closing prices were not available for this edition. The prices shown are as at the previous day's close.

NEW YORK

CHICAGO

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar falls sharply

The dollar weakened on the foreign exchanges yesterday, on technical selling after the realignment of the European Monetary System at the weekend, and speculation that the meeting of finance ministers and central bankers from the leading industrial nations in Washington will result in action to reverse the recent recovery in the dollar's value. A meeting of ministers from the Group of Five, in New York last September, began the sharp fall seen in the dollar until early March. Over the last month the US currency has tended to recover however.

In overseas trading the dollar fell to DM 2.3375 from DM 2.3935; FFr 7.4425 from FFr 7.6175; SFr 1.9750 from SFr 2.0120; and Y180 from Y182.70.

On Bank of England figures the dollar's index fell to 118.7 from 121.8.

STERLING — Trading range against the dollar in 1986 is 1.5115 to 1.3770. March average 1.4681. Exchange rate index closed unchanged at 76.7, compared with 80.1 six months ago.

Sterling rose 1½ cents to $1.4695-1.4705 against the depressed dollar, but lost ground against other major currencies. A reversal in the upward trend in oil prices, and a cut in British bank base rates pushed the pound down to DM 3.4350 from DM 3.4500 on Monday. Earlier in the day the Bundesbank did not intervene when the dollar was fixed at DM 2.3460 in Frankfurt, against DM 2.3997 previously.

JAPANESE YEN — Trading range against the dollar in 1986 is 202.75 to 175.60. March average 178.65. Exchange rate index 194.3 against 169.5 six months ago.

The yen showed little change on the day against the dollar in Tokyo, but was sharply higher than the closing level in New York. The dollar closed at Y181.45 in Tokyo, compared with Y181.15 on Monday, and the New York finish of Y182.60. A strong performance by the dollar in early trading was reversed, as dealers squared positions ahead of the meeting of finance ministers and central bank governors, which began in Washington yesterday. The market was also nervous of pushing the dollar up before the visit of Mr Yasuhiro Nakasone, the Japanese Prime Minister, to the US this weekend. With attention focused on international events there was little reaction to the widely forecast economic package from the Japanese Economic Planning Agency. This was aimed at boosting the economy through higher spending on public works, and adjustments in domestic interest rate regulations.

D-MARK — Trading range against the dollar in 1986 is 2.4710 to 2.1990. March average 2.2677. Exchange rate index 133.5 against 127.9 six months ago.

The D-mark improved against the dollar in Frankfurt yesterday. The fall in the value of the dollar appeared to be largely technical, based on further large purchases of D-marks by the Bank of France, as the German currency remained at its floor against the French franc, after the realignment of the EMS at the weekend. Dealers estimated that the French central bank may have bought DM 1bn, and this put increased downward pressure on the dollar. The US currency closed at DM 2.33925 in Frankfurt, compared with DM 2.4005 on Monday.

£ IN NEW YORK

	Close	April 8	Prev. close
£ Spot	$1.4635-1.4645		$1.4695-4690
1 month	0.50-0.47pm		0.49-0.46pm
3 months	1.33-1.27pm		1.33-1.31pm
12 months	3.60-3.40pm		3.75-3.70pm

Forward premiums and discounts apply to the US dollar

POUND SPOT—FORWARD AGAINST POUND

April 8	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.4650-1.4805	1.4695-1.4705	0.51-0.48c pm	4.04	1.31-1.26pm	3.50
Canada	2.0318-2.0449	2.0350-2.0380	0.17-0.06c pm	0.68	0.48-0.34pm	0.28
Nethlnd.	3.87-3.89¾	3.87-3.88	1¼-1c pm	3.88	3¼-4¼pm	3.29
Belgium	69.65-71.10	69.80-70.00	20-10c pm	2.57	50-30pm	2.29
Denmark	12.59-12.84½	12.60¼-12.61¼	5½-4ore pm	4.48	12½-11pm	5.77
Ireland	1.1930-1.1540	1.1320-1.1335	0.15-0.30p dis	-2.38	0.20-0.55dis	-1.24
W. Ger.	3.43-3.50¾	3.42-3.44	2¼-1¼pf pm	0.77	5½-6½pm	-1.26
Portugal	217-230¼	217-221	150-410c dis	-10.14	475-1350dis	-15.43
Spain	217½-220½	217½-218¼	5-60c dis	-0.16	90-210dis	-0.28
Italy	2349-2365½	2351¼-2352½	2 lire pm-10dis	-0.28	2-15dis	-1.70
Norway	10.49-10.63¾	10.55-10.56¼	2½-4ore dis	-3.27	6½-8dis	-2.48
France	10.52-11.12½	10.93¼-10.94¼	4-2¼c pm	3.70	9¼-8pm	3.24
Sweden	10.51¼-10.56¾	10.52¼-10.53¼	1½-par ore pm	0.43	1½-par pm	0.33
Japan	264-267	264-265	1.40-1.36y pm	6.40	3.77-3.60pm	5.57
Austria	24.06-24.50	24.08-24.13	9½-8gro pm	4.53	26-30¼pm	4.46
Switz.	2.89½-2.96	2.89½-2.90¼	2-1½c pm	7.49	5½-4½pm	6.72

Belgian rate is for convertible francs. Financial franc 70.45-70.55. Six-month forward dollar 2.10-2.05c pm, 12-month 3.60-3.45c pm.

DOLLAR SPOT—FORWARD AGAINST DOLLAR

April 8	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.4650-1.4805	1.4695-1.4705	0.51-0.48c pm	4.04	1.31-1.26pm	3.50
Ireland†	1.2780-1.3040	1.2930-1.3040	0.65-0.45c pm	4.43	1.25-0.85pm	3.30
Canada	1.3825-1.3960	1.3856-1.3845	0.37-0.41c dis	-3.38	0.91-0.96dis	-2.70
Nethlnd.	2.6290-2.6840	2.6340-2.6355	0.43-0.38c pm	1.86	1.16-1.11pm	1.72
Belgium	47.55-48.60	47.55-47.65	6-9c dis	-1.89	12-18dis	-1.30
Denmark	8.57½-8.76½	8.57-8.58	1ore pm-½dis	0.34	3-2½pm	0.46
W. Ger.	2.3330-2.3985	2.3370-2.3380	0.56-0.53pf pm	2.78	1.57-1.52pm	2.63
Portugal	152½-154½	152½-153¼	150-450c dis	-25.41	400-1400dis	-24.81
Spain	147.50-150.25	148.00-148.10	80-100c dis	-6.52	180-280dis	-6.52
Italy	1598-1631½	1599½-1600½	6-11 lire dis	-6.34	19-23dis	-5.24
Norway	7.20½-7.32¼	7.20½-7.27	4.85-5.40ore dis	-8.47	11-11¼dis	-6.12
France	7.43-7.58¾	7.44-7.44¾	¼-¾c dis	-0.73	2¼-2¼dis	-1.25
Sweden	7.16-7.23	7.16-7.17	¾-1.25ore dis	-3.68	5-5½dis	-2.85
Japan	179.40-181.85	179.95-180.05	0.37-0.34y pm	2.18	1.02-0.92pm	2.10
Austria	16.35-16.72	16.39¼-16.40¼	4.2gro pm	2.18	7-6pm	1.62
Switz.	1.9705-2.0275	1.9745-1.9755	0.55-0.50c pm	3.19	1.23-1.26pm	2.08

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 47.80-48.00.

EXCHANGE CROSS RATES

Apr. 8	£	$	DM	YEN	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1.	1.470	3.438	264.5	10.94	2.903	3.875	2352.	2.037	69.95
$	0.680	1.	2.338	180.0	7.443	1.975	2.636	1600.	1.386	47.60
DM	0.291	0.428	1.	77.00	3.185	0.845	1.128	684.7	0.593	20.36
YEN	3.781	5.556	12.99	1000.	41.36	10.97	14.65	8892.	7.700	264.5
F Fr.	0.914	1.344	3.143	241.8	10.	2.653	3.542	2150.	1.862	63.94
S Fr.	0.345	0.506	1.183	91.13	3.769	1.	1.335	810.3	0.702	24.10
H Fl.	0.258	0.379	0.886	68.26	2.823	0.749	1.	607.0	0.526	18.05
Lira	0.425	0.625	1.460	112.5	4.651	1.234	1.648	1000.	0.866	29.74
C $	0.491	0.722	1.687	129.9	5.372	1.425	1.903	1155.	1.	34.35
B Fr.	1.430	2.102	4.911	378.1	15.64	4.149	5.540	3362.	2.911	100.

Yen per 1,000: French Fr per 10: Lira per 1,000: Belg Fr per 100.

EURO-CURRENCY INTEREST RATES

April 8	Short term	7 Days notice	1 Month	Three Months	Six Months	One Year
Sterling	11-11¼	11-11¼	10½-11¼	10¼-10½	9⅞-10	9½-9⅝
U.S. Dollar	7¼-7⅜	7¼-7⅜	6⅞-7⅛	6⅞-7	6⅞-7	6⅞-7
Can Dollar	10¼-10½	10¼-10½	10¼-10½	9¾-10	9¾-9¾	9⅝-9⅞
D Guilder	4¾-5	5-5¼	5¼-5¼	5¼-5⅜	5¼-5⅜	5⅜-5⅝
Sw. Franc	4½-4⅝	4¼-4½	4¼-4⅝	4¼-4⅜	4¼-4⅜	4¼-4⅝
Deutschmrk	4⅝-4¾	4⅜-4⅝	4⅝-4¾	4¼-4⅜	4¼-4⅜	4⅜-4⅝
Fr. Franc	8-8¼	8-8¼	7⅞-8	7⅝-7⅞	7½-7⅝	7⅞-7⅝
Italian Lire	11-15	11½-15½	12⅝-13⅛	19-12¾	12-12¼	11⅞-12⅝
B.Fr.(Fin)	10¼-10½	10-10¼	8½-8¾	8⅛-8⅜	7⅝-7⅞	7½-7¾
B.Fr.(Con)	10½-13½	9-10	8¼-8¾	8-8½	7⅝-8	7¼-7¾
Yen	5-5⅛	4⅝-5⅛	4⅝-5	4⅝-4⅞	4¾-4⅞	4⅝-4⅞
D. Krone	8¾-9¼	8¾-9¼	8½-9	8-8½	7¾-8¼	7½-8
Asian $ (Sng)	7⅛-7⅛	7¼-7⅜	7⅛-7⅛	7⅛-7⅛	7-7⅛	7-7⅛

Long-term Eurodollars: two years 7⅛-7⅜ per cent; three years 7⅝-8 per cent; four years 7⅞-8⅛ per cent; five years 8-8⅛ per cent nominal. Short-term rates are call for US dollars and Japanese yen; others two days' notice.

FINANCIAL FUTURES

Further rise

Prices of sterling and dollar interest rate contracts rose on the London International Financial Futures Exchange yesterday. Long gilts for June delivery opened at 127-10, boosted by the early strength of sterling on the foreign exchanges. The cut of ½ per cent to 11 per cent in UK clearing bank base rates, led by National Westminster Bank, was earlier than expected, coming ahead of today's money supply and bank lending figures, but was already largely discounted in the market and had little impact. The June contract touched a high of 128-18, and closed at 128-06, compared with 126-16 on Monday.

Three-month sterling deposits for June opened at 90.60, and rose to a peak of 90.67, before closing at 90.61.

The cut in UK bank base rates also encouraged hopes of an early reduction in the Federal Reserve discount rate. US Treasury bonds opened sharply higher in Chicago, and both Treasury bond and Eurodollar futures rose for the fourth consecutive trading day. In London June Treasury bonds closed at 101-16, after touching 101.23.

LIFFE LONG GILT FUTURES OPTIONS

Strike price	Calls—Last June	Sept	Dec	Mar	Puts—Last June	Sept	Dec	Mar
116	12.17	13.10	—	—	0.05	0.52	—	—
118	10.24	11.38	—	—	0.12	1.10	—	—
120	8.35	10.03	—	—	0.23	1.39	—	—
122	6.55	8.38	—	—	0.43	2.10	—	—
124	5.20	7.10	—	—	1.08	2.54	—	—
126	3.53	6.02	—	—	1.61	3.42	—	—
128	2.55	5.02	—	—	2.43	4.38	—	—
130	1.63	4.07	—	—	3.51	5.43	—	—
132	1.20	3.20	—	—	5.08	6.56	—	—

Estimated volume total: Calls 1,693, Puts 896
Previous day's open interest: Calls 8,062, Puts 1,871

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike price	Calls—Last June	Sept	Dec	Mar	Puts—Last June	Sept	Dec	Mar
92	9.35	—	—	—	—	—	—	—
94	7.41	—	—	—	—	—	—	—
96	5.54	—	—	—	—	—	—	—
98	4.13	—	—	—	—	—	—	—
100	2.56	—	—	—	—	—	—	—
102	—	—	—	—	—	—	—	—
104	—	—	—	—	—	—	—	—
106	—	—	—	—	—	—	—	—
108	—	—	—	—	—	—	—	—

Estimated volume total: Calls 0, Puts 0
Previous day's open interest: Calls 162, Puts 0

LIFFE £/$ OPTIONS
£25,000 (cents per £1)

Strike price	Calls—Last April	May	June	Sept	Puts—Last April	May	June	Sept
1.20	—	—	27.80	—	—	—	0.00	—
1.25	22.80	—	22.80	22.80	0.80	—	0.03	0.33
1.30	17.80	17.80	17.80	17.80	0.00	0.00	0.15	0.81
1.35	12.80	12.80	12.80	12.80	0.00	0.14	0.52	1.70
1.40	7.80	7.85	8.25	9.05	0.00	0.20	1.18	3.10
1.45	2.99	4.25	4.88	6.19	0.28	2.04	3.19	5.29
1.50	0.09	1.87	2.48	4.00	2.17	4.80	5.78	8.10

Estimated volume total: Calls 653, Puts 500
Previous day's open interest: Calls 5,385, Puts 9,723

LONDON SE £/$ OPTIONS
£12,500 (cents per £1)

Strike price	Calls—Last April	May	June	Sept	Puts—Last April	May	June	Sept
1.20	—	—	27.10	—	—	—	—	0.10
1.25	—	—	22.40	22.10	—	—	0.18	0.65
1.30	—	—	17.10	17.10	—	—	0.40	1.15
1.35	12.06	12.05	12.10	12.70	0.05	0.50	0.80	2.20
1.40	7.10	7.25	7.85	8.60	0.05	1.80	1.40	3.70
1.45	1.60	3.65	4.50	6.19	0.30	2.00	3.70	9.99
1.50	0.30	1.50	2.80	4.80	3.80	6.00	6.50	9.86

Previous day's open interest: Calls 4,733, Puts 3,607
Volume: 106

PHILADELPHIA SE £/$ OPTIONS
£12,500 (cents per £1)

Strike price	Calls—Last April	May	June	Sept	Puts—Last April	May	June	Sept
1.20	—	—	—	—	—	—	—	—
1.25	—	—	—	—	—	—	—	—
1.30	—	—	—	—	—	—	—	—
1.35	—	—	—	—	—	—	—	—
1.40	—	—	—	—	—	—	—	—
1.45	3.00	—	4.30	—	0.35	—	—	—
1.50	0.30	1.80	—	4.10	—	—	—	—

Previous day's open interest: Calls 58,288, Puts 44,154
Previous day's volume: Calls 2,024, Puts 589

LIFFE—EURODOLLAR OPTIONS
$1m points of 100%

Strike price	Calls—Last June	Sept	Dec	Mar	Puts—Last June	Sept	Dec	Mar
89.00	2.27	—	—	—	0.00	—	—	—
90.50	2.77	2.79	—	—	0.00	0.06	—	—
91.00	2.27	2.29	—	—	0.00	0.06	—	—
91.50	1.77	1.79	1.74	—	0.00	0.06	0.02	—
92.00	1.27	1.30	1.28	—	0.00	0.01	0.06	—
92.50	0.78	0.84	0.86	—	0.01	0.06	0.14	—
93.00	0.35	0.45	0.54	—	0.08	0.18	0.28	—

Previous day's open interest: Calls 2,487, Puts 2,178
Volume: 495

CURRENCY MOVEMENTS

April 8	Bank of England Index	Morgan Guaranty Changes %
Sterling	76.7	-14.0
U.S. dollar	118.7	+11.6
Canadian dollar	79.9	-11.3
Austrian schilling	134.5	+0.7
Belgian franc	94.5	-8.1
Danish Kroner	84.5	+2.9
Deutsche mark	133.9	+13.1
Swiss franc	155.0	+15.4
Guilder	125.1	+8.0
French franc	68.1	-14.6
Lira	48.1	-15.8
Yen	194.3	+41.3

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (base average 1975=100).
*Morgan Guaranty rates are for April 7.

CURRENCY RATES

April 8	Bank rate %	Special Drawing Rights*	European Currency Unit
Sterling	—	0.769438	0.684504
U.S. $	7	1.11961	0.921784
Canadian $	10.14	1.55836	1.27901
Austria Sch.	4	18.9574	15.1818
Belgian Fr.	9¼	54.8600	43.9829
Danish Kr.	7	9.89567	7.93426
D'mark	3½	2.68873	2.15928
Guilder	4½	3.03065	2.43130
French Fr.	9½	8.57095	6.87467
Lira	14	1842.35	1480.39
Yen	4	N/A	166.106
Norway Kr.	8	8.38791	6.71765
Spain Pta.	—	169.735	136.831
Swed'n Kr.	8½	8.23966	6.60996
Swiss Fr.	4	2.27945	1.81960
Greek Drch.	20½	164.985	134.746
Irish Punt	—	N/A	0.706520

*SDR rate are for April 7.

OTHER CURRENCIES

April 8	£	$
Arg'tina	1.1828-1.1835	0.8000-0.8010
Aus'alia	2.0475-2.0518	1.3879-1.3890
Brazil	20.3616-20.4791	13.77-13.84
Finland	7.7320-7.7520	5.2440-5.2460
Greece	212.40-215.80	144.50-147.50
H'kong	11.4650-11.5400	7.8100-7.8130
Iran	119.75*	80.40*
Kuwait	0.42920-0.43000	0.29250-0.29240
Lux'burg	69.80-69.95	47.55-47.65
Malaysia	3.8950-3.9450	2.6500-2.6550
N'Z'land	2.6970-2.7095	1.8260-1.8310
Saudi Ar.	5.3890-5.3960	3.6504-3.6509
Sing'pore	3.2470-3.2530	2.2000-2.2020
S.Af (Cm)	2.9970-3.0030	2.0290-2.0350
S.Af (Fn)	4.6100-4.6590	3.0555-3.1495
U.A.E.	5.4000-5.4075	3.6725-3.6735

*Selling rate.

STERLING INDEX

	April 8	Previous
8.30 am	77.1	76.5
9.00 am	77.0	76.5
10.00 am	77.0	76.6
11.00 am	76.9	76.6
Noon	76.8	76.5
1.00 pm	76.7	76.5
2.00 pm	76.7	76.5
3.00 pm	76.7	76.3
4.00 pm	76.7	76.5

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu April 8	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian franc	43.6761	43.9829	+0.70	+0.70	—
Danish krone	7.91896	7.93426	+0.13	+0.19	—
German D-mark	2.13834	2.15928	+0.98	+0.98	—
French franc	6.96280	6.87467	-1.27	-1.27	—
Dutch guilder	2.40935	2.43130	+0.91	+0.91	—
Irish punt	0.712956	0.708520	-0.62	-0.62	—
Italian lira	1496.21	1480.39	-1.06	-1.06	—

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

CHICAGO

U.S. TREASURY BONDS (CBT)
8% $100,000 32nds of 100%

	Latest	High	Low	Prev
June	101-17	101-31	101-04	99-31
Sept	100-27	100-31	100-15	99-07
Dec	100-02	100-05	99-23	98-15
March	99-10	99-17	99-08	97-26
June	98-28	98-28	98-11	97-05
Sept	—	—	—	96-31
Dec	—	—	—	95-31
March	—	—	—	94-30
June	—	—	—	—
Sept	—	—	—	—
Dec	—	—	—	94-01

U.S. TREASURY BILLS (IMM)
$1m points of 100%

	Latest	High	Low	Prev
June	94.21	94.33	94.28	94.22
Sept	94.36	94.39	94.35	94.22
Dec	94.27	94.37	94.28	94.12
March	94.11	94.11	94.10	93.97
June	93.92	93.98	93.97	93.79
Sept	93.86	93.88	93.73	93.70
Dec	93.73	93.73	—	93.58

CERT. DEPOSIT (IMM)
$1m points of 100%

	Latest	High	Low	Prev
June	93.63	93.67	93.57	93.45
Sept	93.64	93.64	—	93.45
Dec	93.37	93.47	—	93.35
March	—	—	—	93.18

THREE-MONTH EURODOLLAR (IMM)
$1m points of 100%

	Latest	High	Low	Prev
June	93.28	93.32	93.22	93.14
Sept	93.29	93.33	93.24	93.14
Dec	93.20	93.20	93.11	92.96
March	93.02	93.04	92.92	92.86
June	92.84	92.85	92.73	92.62
Sept	92.67	92.69	92.67	92.46
Dec	92.52	92.50	92.40	92.32
March	92.37	92.39	92.37	92.26

LONDON

20-YEAR 12% NOTIONAL GILT
£50,000 32nds of 100%

	Close	High	Low	Prev
June	128-06	128-18	127-10	126-10
Sept	128-14	128-21	128-00	126-25
Dec	128-12	128-21	128-01	126-20
March	128-08	127-29	127-29	126-13

Estimated volume 11,299 (4,498)
Previous day's open int 10,787 (10,430)
Basis quote (clean cash price of 10% Treasury 2004-08 less equivalent price of near futures contract) —4 to 4 (32nds).

10% NOTIONAL SHORT GILT
£100,000 64ths of 100%

	Close	High	Low	Prev
June	102-15	102-10	101-50	101-20
Sept	102-35	—	—	101-49

Estimated volume 636 (261)
Previous day's open int 1,017 (1,165)

THREE-MONTH STERLING
£500,000 points of 100%

	Close	High	Low	Prev
June	90.61	90.67	90.50	90.44
Sept	91.13	91.20	91.11	91.04
Dec	91.39	91.45	91.34	91.25
March	91.39	91.45	91.35	91.23
June	91.20	91.29	91.20	91.04

Estimated volume 1,263 (3,832)
Previous day's open int 19,257 (19,308)

FT-SE 100 INDEX
£25 per full index point

	Close	High	Low	Prev
June	168.05	172.55	166.70	170.25
Sept	171.25	174.25	174.25	172.30
Dec	173.75	—	—	175.00

Estimated volume 847 (400)
Previous day's open int 1,679 (1,616)

THREE-MONTH EURODOLLAR
$1m points of 100%

	Close	High	Low	Prev
June	93.27	93.28	93.18	93.15
Sept	93.29	93.30	93.20	93.19
Dec	93.22	93.22	93.14	93.08
March	93.04	93.04	92.97	92.99
June	92.87	92.84	92.81	92.73
Sept	92.81	—	—	92.68
Dec	92.57	—	—	92.44

Estimated volume 4,628 (3,015)
Previous day's open int 18,780 (19,079)

US TREASURY BOND
8% $100,000 32nds of 100%

	Close	High	Low	Prev
June	101-16	101-23	100-18	99-24
Sept	100-25	100-20	99-20	99-00
Dec	100-06	—	—	98-15

Estimated volume 3,694 (7,469)
Previous day's open int 6,138 (5,908)

CURRENCY FUTURES

POUND—$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.4700	1.4651	1.4572	1.4483	1.4348

IMM—STERLING $a per £

	Latest	High	Low	Prev
June	1.4590	1.4710	1.4655	1.4550
Sept	1.4610	1.4625	1.4570	1.4460
Dec	1.4500	1.4580	1.4560	1.4380

LIFFE—STERLING £25,000 $ per £

	Close	High	Low	Prev
June	1.4600	1.4695	1.4590	1.4419
Sept	1.4590	—	—	1.4317
Dec	1.4510	—	—	1.4235

Estimated volume 75 (466)
Previous day's open int 2,316 (2,563)

MONEY MARKETS

Base rates cut to 11%

Clearing bank base rates were cut by ½ a point to 11 per cent yesterday. National Westminster Bank was the first UK bank to cut its rate, without any signal from the Bank of England, but the authorities later endorsed the move with a reduction in a money market intervention rate. The cut came as something of a surprise to the market, ahead of today's money supply figures.

Three-month interbank fell to 10⅞-10¾ per cent from 10⅞-11 per cent.

The Bank of England initially forecast a flat credit position on the London market yesterday, but revised this to a shortage of £50m at noon.

The authorities did not operate in the market during the morning, but bought £50m bank bills outright in the afternoon in band 2 at a new rate of 10¹³⁄₁₆ per cent.

The Bank of England also provided late assistance of around £5m.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £253m. This was offset by Exchequer transactions adding £160m to liquidity, a fall in the note circulation of £90m and bank balances above target by £15m.

In Brussels the Belgian National Bank cut short-term interest rates for the second time this week. Rates on one, two and three-month Treasury certificates were reduced to 8¾ per cent from 9 per cent, as speculation increased that the central bank would cut its bank rate again. On Monday bank rate was reduced by ½ per cent to 9½ per cent.

In Dublin the Central Bank of Ireland cut its short-term facility rate by 1¼ per cent to 13¾ per cent, and its overnight deposit rate by the same amount to 9¼ per cent. The short-term facility rate is the rate at which the central bank lends to the commercial banks, and the overnight deposit rate is the rate at which the authorities absorb surplus liquidity.

In Frankfurt the Bundesbank accepted bids of DM 15.1bn at yesterday's tender for a 35-day securities repurchase agreement, at a rate of 4.35 per cent. Bids totalled DM 21.3bn, and although the allocation was higher than expected, it will almost replace DM 16.9bn draining from the market today as two earlier agreements expire. Call money in Frankfurt eased to 4.40 per cent from 4.45 per cent.

UK clearing banks base lending rate 11 per cent since April 8

NEW YORK RATES
(Lunchtime)

Prime rate	9
Broker loan rate	8-8¼
Fed funds	7⅛
Fed funds at intervention	—

Treasury Bills & Bonds

One month	6.06
Two month	6.26
Three month	6.32
Six month	6.40
One year	6.50
Two year	6.72
Three year	6.89
Four year	6.98
Five year	7.10
Seven year	7.20
10 year	7.34
30 year	7.43

FT LONDON INTERBANK FIXING

(11.00 a.m. April 8) Three months US dollars		Six months US dollars	
bid 9 15/16	offer 7 1/16	bid 6 15/16	offer 7 1/16

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

April 8	Ov'r-night	One Month	Two Months	Three Months	Six Months	Lombard Inter'vtn
Frankfurt	4.55-4.45	4.35-4.55	4.40-4.55	4.40-4.55	4.40-4.55	5.5
Paris	8½	7⅛-7⅜	7½-7⅝	7½-7⅝	7⅛-7⅜	8¼
Zurich	1-1½	5¼-4	—	0⅞-4	—	—
Amsterdam	4¾-4⅞	5¼-5¾	5¼-5⅜	5¼-5⅜	5¼-5⅜	—
Tokyo	4.90625	0.09375	—	5.21875	—	—
Milan	15⅛-15½	14-14⅛	—	14⅛-14½	—	—
Brussels	10.50	8¾-9	8⅞-8⅞	—	7⅞-8⅛	—
Dublin	19-15¼	12-12¼	11¾-12	10½-11¼	9¾-10¼	—

LONDON MONEY RATES

April 8	Over night	7 days notice	Month	Three Months	Six Months	One Year
Interbank	8-11½	10¾-11½	10½-11⅛	10⅛-10⅛	9⅞-10⅛	9⅛-9½
Sterling CDs	—	—	10⅞-11	10⅛-10⅛	9⅞-10	9½-9⅝
Local Authority Deps.	10⅞-11	11-11¼	10⅞	10½	9⅞	9⅝
Local Authority Bonds	—	—	11⅛	10⅞	10¼	10
Discount Mkt Deps.	9-10¼	11-11¼	10¾	10¼	—	—
Company Deps.	10¼-11½	11¼-11½	11¼	10⅞	—	—
Finance House Deps.	—	—	11¼	10⅜	10½	9⅞
Treasury Bills (Buy)	—	—	10⅛	10⅛	—	—
Bank Bills (Buy)	—	—	10⅛	10⅛	9⅛	—
Fine Trade Bills (Buy)	—	—	11⅛	10⅛	10⅛	—
Dollar CDs	—	—	7.05-7.10	6.95-7.00	6.99-7.00	6.99-7.00
SDR Linked Deps.	—	—	5⅛-6⅛	9⅝-0⅞	9⅛-6⅛	8⅛-6⅛
ECU Deps.	—	—	7⅝-7⅞	7⅜-7⅞	7⅜-7⅞	7-7⅛

Treasury Bills (sell): one-month 10³⁄₁₆ per cent; three-months 10⅛ per cent. Bank Bills (sell): one-month 10³⁄₁₆ per cent; three-months 10⅛ per cent. Treasury Bills: Average tender rate of discount 10.7009 per cent. ECGD Fixed Finance Scheme IV reference date March 5 to April 1 (inclusive): 11.677 per cent. Local authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 12½ per cent from April 1 1986. Bank Deposit Rate for sums at seven days' notice 5½-6 per cent. Certificates of Tax Deposits (Series 6): Deposits £100,000 and over held under one month 11¼ per cent; one-three months 10¾ per cent; three-six months 10½ per cent; six-nine months 10 per cent; nine-12 months 10 per cent. Under £100,000 10 per cent from April 9. Deposits held under Series 5 10 per cent. Deposits withdrawn for cash 6½ per cent.

Company Notices

F. & C. ORIENTAL FUND S.A.
société anonyme d'investissement
Registered Office: LUXEMBOURG,
14, rue Aldringen
Commercial Register: LUXEMBOURG
Section B No. 18855

NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS

The Annual General Meeting of Shareholders of F. & C. ORIENTAL FUND S.A. will be held at its registered office at Luxembourg, 14, rue Aldringen, on April 17th, 1986, at 12.30 hours for the purpose of considering and voting upon the following matters:

1. To hear and accept the reports of:
   a. the directors,
   b. the statutory auditor.
2. To approve the balance sheet and the profit and loss account for the year ended October 31st, 1985.
3. Allocation of annual results.
4. To discharge the directors and the auditors with respect to their performance of duties during the year ended October 31st, 1985.
5. To elect the directors to serve until the next annual general meeting of shareholders.
6. To elect the auditor to serve until the next annual general meeting of shareholders.
7. Miscellaneous.

The shareholders are advised that no quorum for the statutory meeting is required and that decisions will be taken by the majority of the shares present or represented at the meeting with the restriction that no shareholder either by himself or by proxy can cast votes in respect of a number of shares in excess of one-fifth of the shares issued or two-fifths of the shares present or represented at the meeting.

In order to take part at the statutory meeting of April 17th, 1986, the owners of bearer shares will have to deposit their shares five clear days before the meeting at the registered office of the Fund, 14, rue Aldringen, Luxembourg, or with the following banks:

—BANQUE GENERALE DU LUXEMBOURG, S.A.
14, rue Aldringen, Luxembourg
—THE ROYAL BANK OF SCOTLAND plc
67, Lombard Street, London EC3P 3DL

The Board of Directors

LEUMI INTERNATIONAL INVESTMENTS N.V.

US $20 MILLION GUARANTEED FLOATING RATE NOTES 1987 SERIES "B" EXTENDIBLE TO 1990

The interest rate applicable to the above Notes in respect of the three month period commencing the 9th April 1986 has been fixed at 7⅛% per annum.

The interest amounting to US $18.96 per $1,000 principal amount of the Notes will be paid on Wednesday 9th July 1986 against presentation of Coupon No. 23.

BANK LEUMI TRUST CO. OF NEW YORK
Principal Paying Agent

THE COMMERCIAL BANK OF THE NEAR EAST PLC

NOTICE IS HEREBY GIVEN that the Sixty-fourth Annual General Meeting of this Company will be held at its Registered Office, 107-112, Leadenhall Street, London EC3A 4AE, on Monday, 16th June, 1986, at 11 a.m. for the following purposes:

1. To receive and adopt the Directors' Report and Accounts for the year ended 31st December, 1985.
2. To declare a dividend.
3. To re-elect the retiring Directors.
4. To re-appoint the retiring Auditors and to authorise the Directors to fix the remuneration of the Auditors for the current financial year.
5. To transact the business of an Ordinary General Meeting.

By Order of the Board,
N. M. PEGGIE,
Secretary.

107-112, Leadenhall Street,
London EC3A 4AE.
11th March, 1986.

Notes:
1. Any member of the Company entitled to attend and vote at the above Meeting may appoint another person who need not be a member of the Company as his proxy to attend and vote instead of him.
2. There are no contracts of service which are required to be made available for inspection at the meeting.

THE ROYAL BANK OF CANADA
US$350,000,000
Floating Rate Debentures due 2005

In accordance with the terms and conditions of the Debentures, the interest rate for the period April 10th 1986 to May 12th 1986 has been fixed at 7⅛ per cent per annum. On May 12th 1986 interest of US$64.444444 per US$1,000 nominal amount of the Debentures will be due for payment. The rate of interest for the period commencing May 12th 1986 will be determined on May 8th 1986.

Orion Royal Bank Limited
Agent Bank and
Principal Paying Agent

THE COMMERCIAL BANK OF THE NEAR EAST PLC

NOTICE IS HEREBY GIVEN that the Share TRANSFER BOOKS of the above Company will be CLOSED from the 10th April to the 18th April, 1986, both days inclusive.

By Order of the Board,
N. M. PEGGIE,
Secretary.

107-112, Leadenhall Street,
London EC3A 4AE.

Legal Notices

AITKEN HUME INTERNATIONAL PLC

In the Petition of AITKEN HUME INTERNATIONAL PLC for confirmation of reduction of share premium account the Court of Session has pronounced the following interlocutor:

Edinburgh, 25th March 1986.

The Lords, having considered the Petition and proceedings, no answers having been lodged and having heard Counsel for the Petitioners allow the Petition to be amended in terms of the Minute of Amendment No. 20 of process and dispense with re-service of the Petition as amended: having considered the Report No. 21 of process by D. S. Williamson, W.S., Edinburgh, direct that the provisions of Section 136(2) of the Companies Act 1985 shall not apply as regards the creditors of the Company or any class of them; confirm the reduction of the Company's Share Premium Account resolved on by the Special Resolution of the Company dated 31st January 1986 and set forth in the Petition; approve the proposed Minute set forth in the Petition; direct the registration of this Order and said Minute by the Registrar of Companies and on said Order and Minute being so registered, order notice thereof to be given by advertisement once in the Edinburgh Gazette and once in each of the Financial Times and Scotsman newspapers and decern.

EMSLIE,
I.P.D.

The said order and minute have now been registered with the Registrar of Companies and intimation thereof is hereby given.

DUNDAS & WILSON, C.S.,
25 Charlotte Square,
Edinburgh.
Solicitors for Petitioners.

Clubs

EVE has outlived the others because of a policy of fair play and value for money. Supper from 10-3.30 am. Disco and top musicians, glamorous hostesses, exciting floorshows. 189, Regent St., W1. 01-734 0557.

LONDON SHARE SERVICE

BRITISH FUNDS

1986 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
"Shorts" (Lives up to Five Years)						
99¼	95⅝	Treas 3pc 1986	99¼	+⅛	3.03	11.67
99½	99⅛	Exch 10½pc 1986	99½	+⅛	10.51	11.45
100⅛	99⅛	Treas 12pc 1986	99⅞	–⅛	12.00	11.42
99⅛	98⅛	Treas 8¼pc 1984-86‡‡	99½	+⅛	8.54	10.46
102⅛	100½	Exch 14pc 1986	102⅛xd	+⅛	13.70	9.90
97	94⅞	Exch 2½pc 1986	97	+⅛	2.58	7.52
102⅛	100⅛	Exch 13¼pc 1987	102⅛	+⅛	12.93	9.72
100⅛	97⅛	Treas 10¼pc Cv 87	100⅛	+⅛	10.21	9.64
95¼	92⅞	Exch 2½pc 1987	95⅝	+⅛	2.61	7.56
100⅛	97⅛	Exch 10½pc 1987	100⅛xd	+⅛	10.40	9.89
97⅛	93⅝	Funding 6½pc '85-87‡‡	97⅛xd	+⅛	6.66	9.05
100⅛	96⅛	Treas 10pc 1987	100⅛	+⅛	9.94	9.45
94	90⅞	Treas 3pc 1987	94	+⅛	3.19	8.08
103⅝	99⅛	Treas 12pc 1987	103⅝xd	+⅛	11.58	9.42
97⅛	92⅛	Treas 7¾pc 1985-88‡‡	97⅛	+⅛	7.93	9.00
102⅜	96⅛	Exch 10½pc 88	102⅜xd	+⅛	10.22	9.00
101⅛	95⅛	Treas 9½pc Cv '88	101⅛	+⅛	9.62	8.99
90⅛	86⅝	Transport 3pc '78-88	90⅞	+⅛	3.32	7.78
100⅛	93⅛	Treas 9½pc '88	100⅛xd	+⅛	9.44	9.20
105⅛	98⅛	Treas 11½pc 1989	105⅛	+1	10.88	9.19
101⅛	93⅛	Treas 9½pc Cnv. '89	101⅛xd	+⅛	9.36	8.93
88⅛	82⅛	Treas 3pc 1989	88⅛xd	+⅛	3.40	7.32
103½	95⅛	Treas 10½pc 1989	103½	+⅛	10.14	9.20
102⅜	94⅛	Exch 10pc 1989	102⅜	+⅛	9.77	9.15
105⅛	97	Exch 11pc 1989	105⅛	+⅛	10.43	9.13
90⅛	84⅛	Treas 5pc 1986-89	90⅛xd	+⅛	5.54	8.23
109⅛	94⅛	Exch 10½pc Cv 89	109⅛xd	+1⅛	9.36	7.19
112½	103⅛	Treas 13pc 1990‡‡	112½	+⅛	11.56	9.01
106⅛	97⅛	Exch 11pc 1990‡‡	106⅛	+1⅛	10.31	8.98
111⅛	101⅛	Exch 12½pc 1990	112⅛	+1⅛	11.22	9.01

Five to Fifteen Years

Over Fifteen Years

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

AMERICANS—Cont.

1986 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
38⅛	31⅛	Campbell Soup 30c	36	–⅛	$1.32	—	2.5
36⅛	27⅛	Caterpillar Tractor	33	–⅛	50c	—	1.0
410p	300p	Cenergy Corp. 25c	327p		4d	—	0.8
32⅛	24⅛	Chase M'htn $12.5	29⅛	–1⅛	h$2.05	—	4.7
37⅛	29⅛	Chemical New York	34⅛	–⅛	$2.48	—	4.9
32⅛	26⅛	Chesebrough-Pond's $1	30	–1⅛	$2.00	—	4.6
31⅛	19⅛	Chrysler $6¼	26⅛	–⅛	h66.6c	—	1.1
42⅛	33⅛	Citicorp $4	39⅛	–1	$2.26	—	4.0
984p	774p	CityFed Fin Corp	930p	–15	40c	—	2.9
26⅛	21⅛	Colgate-P $1	25⅛	–⅛	$1.36	—	3.6
51⅛	42⅛	Colt Inds. $1	48⅛	–1	$2.50	—	3.5
32⅛	25	Com. Freightways $0.625	28⅛	–⅛	$1.10	—	2.6
819p	607p	Contl Illinois Corp $1	610p		—	—	—
89⅛p	42p	Cont Illinois Hldgs $1	43p		—	—	—
[illegible]	39p	♦Corporate Data Scnce	48p		—	—	—
32⅛	28	Crown Zell. $5	29⅛	–1⅛	$1.00	—	2.3
13⅛	793p	Cullinet Sftwr $0.1	837p	–5	—	—	—
287p	136p	Damson Oil 40c	152p	+16	—	—	—
23⅛	18⅛	Dana Corp $1	21⅛	–⅛	$1.28	—	4.1
33⅛	24⅛	Data General	26⅛	+⅛	—	—	—
24⅛p	15⅛p	♦Derma-Lock Medicl	16p		—	—	—
75	55⅛	Dun & Bradstreet $1	67	+⅛	$1.88	—	1.9
52⅛	44⅛	Eaton Corpn. 50c	40⅛	–⅛	$1.60	—	2.2
38⅛	35	♦Exxon	37⅛	–⅛	$3.60	—	6.6
21⅛	18⅛	FPL Group $0.01	20⅛	–⅛	$1.96	—	6.5
17⅛	12⅛	Fairmont Fin	15⅛		—	—	—
11⅛	655p	Fin. Corpn. Amer 50c	10		—	—	—
22⅛	19⅛	First Chicago $5	20⅛	–⅛	$1.32	—	4.4
56⅛	37⅛	Ford Motor $2	53⅛	–1⅛	$2.80	—	3.6
28⅛	23⅛	GATX 62½c	24		$1.20	—	5.4
53⅛	47⅛	Gen. Elect. $1¼	49⅛	–1⅛	$2.32	—	3.2
60⅛	48	Gillette $1	55⅛	–1⅛	$2.60	—	3.2

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Cont.

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY & STORES—Cont.

ELECTRICALS

ENGINEERING

ENGINEERING—Continued

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

INDUSTRIALS—Continued

1986 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
106	82	♦Midland Marts	104	.....	4.0	2.1	5.4	12.4
78½	61	Mitchell Cotts	66	+1	4.25	1.5	9.1	(9.3)
109	81	♦Monks & Crane 10p	104	.....	R2.7	2.7	3.7	14.3
275	210	Morgan Crucible	252	–2	M8.5	1.6	4.8	17.5
22½	15½	♦Morris (W.F.) A 20p	19½	.....	g0.5	♦	3.6	♦
115	100	Moss (Robt.) 10p	103	–3	†3.0	2.7	4.1	11.1
100	65	Myson Grp 10p	95	.....	2.63	♦	3.9	♦
350	259	♦NMW Computers	335	–5	6.0	♦	0.9	21.8
40	27	Nash Inds.	35	.....	0.5	—	2.0	—
28	16	Neil & Spencer 10p	28	.....	—	—	—	6.0
34	28	Newman Inds 10p	28	–4	0.8	♦	4.0	♦
65	50	Nolton	55	–2	0.95	5.9	2.4	7.9
130	96	♦Norank Systems 5p	107	–1	u3.0	♦	3.9	♦
263	187	Norcros	263	+3	†8.6	2.0	4.6	14.3
69	49	Nu-Swift 5p	67	.....	†3.0	1.9	6.3	10.9
96	80	Oakwood Grp	87	.....	5.0	1.3	8.1	12.1
235	203	Office & Elect	215	.....	T7.5	2.6	4.9	11.0
102	70	Oldacre 20p	98	.....	†4.0	2.6	5.7	8.7
36	29	♦Optometrics $0.01	30	.....	[illegible]	2.1	5.2	10.1
675	500	Oriflame £1	625	.....	24.5	♦	0.3	♦
10	8	Ovenstone 12½c	9	.....	g03.23c	1.9	11.6	4.5
£275	£228	Ozalid 9pc Cnv 87-92	£261	.....	Q9%	—	(3.5)	—
100	95	♦PCT Grp 10p	95	.....	3.2	1.2	6.9	(23.4)
£20½	950	PLM 'B' Sk 25	£17⅞	–⅛	Q25.2%	0.3	3.7	—
156	114	PSM Intl.	152	.....	¶gd5.25	2.3	4.9	10.4
255	167	♦Pacer Systems $0.01	250	–5	L03.84c	—	1.1	—
78	60	♦Pacific Sales 10p	60xd	.....	3.0	1.2	7.0	16.4
283	225	Park Place 10p	258xd	.....	†6.25	1.9	3.5	21.0
403	246	Parker Knoll 'A'	403xd	.....	†9.5	2.9	3.3	14.7
480	208	♦Parkfield Group 5p	440	+10	†2.4	2.4	0.0	73.6
53	37	♦Pavion Intl	39	–1	—	—	—	—
£130	£95	Do 11pc CvLn '94-02	£100	–3	Q11%	—	11.1	—
503	393	Pearson	477	.....	10.0	2.7	3.0	15.7
18½	12	Peek Holdings 7p	17	.....	—	—	—	—
112	88	Peerless	112	.....	6.3	—	7.9	—
550	283	Pentland 10p	540	+30	0.87	♦	0.2	♦
£14	775	Photo-Me	£11½	.....	†5.08	8.3	0.6	—
475	315	Pilkington Br. £1	466	+4	12.5	2.3	3.8	11.5

Miscellaneous

1986 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's
30	30	Anglo-Dominion	30	.....	—	—	—
42	28	Anglo Utd Dev	28	.....	d1.05	♦	5.4
80	50	♥Colby Res Corp	60	.....	—	—	—
300	200	Cons. Murch 10c	225	.....	[illegible]	3.9	‡
34	28	♥Ennex Int Ir10p	32	.....	—	—	—
101	70	Greenwich Res	88	.....	—	—	—
143	104	Hampton Areas 10p	104	–2	3.75	0.9	4.8
245	165	♥Highwood Res	230	.....	—	—	—
£19⅝	£15⅝	Homestake Mining $1	£15⅝	–⅛	Q20c	—	0.9
310	185	♥McFinley Red Lake	200	.....	—	—	—
285	210	♥Musto Explorations	215	–5	—	—	—
51	40	♥New Sabina Res C$1	45	+2	—	—	—
260	210	Northgate C$1	222	.....	—	—	—
790	513	RTZ	740	–17	†20.0	2.8	3.9
£164	£115	Do. 8¼pcLn '95-2000	£151½	–2	Q9½%	14.0	6.4
950	800	♥Tara Expln $1	900	.....	—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution, this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 29 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ♦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 535(3)
- ¶ Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast
- ♦ Merger bid or reorganisation in progress.
- ♦ Not comparable
- ♦ Same interim: reduced final and/or reduced earnings indicated
- § Forecast dividend: cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ∎ No par value

B Fr. Belgian Francs. Fr. French Francs. ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1984-85. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Figures based on prospectus or official estimates for 1984. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. R Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	118	.....	Fin. 13% 97/02	£123½	+¼
Craig & Rose £1	£13	.....	Arnotts	390	+15
Finlay Pkg 5p	49	.....	CPI Hldgs.	65	
Holt (Jos) 25p	770	.....	Carroll Inds.	205	+10
IoM Stm. £1	82	.....	Dublin Gas	50	+5
			Hall (R. & H.)	67	.....
IRISH			Heiton Hldgs.	30	.....
Fund 11¾% 1986	£102¼	.....	Irish Ropes	70	
Nat. 9¼% 84/89	£100¼	.....	Unidare	187	–1

"Recent Issues" and "Rights" Page 30 (International Edition Page 34)

LONDON STOCK EXCHANGE

MARKET REPORT

Account Dealing Dates
Option

*First Dealings	Declara- tions	Last Dealings	Account Day
Apr 1	Apr 10	Apr 11	Apr 21
Apr 14	Apr 24	Apr 25	May 6
Apr 28	May 8	May 9	May 19

* "New-time" dealings may take place from 9.30 am two business days earlier.

Gilts strong but equities lose early rises to close lower again

Leading stocks changed course noticeably in London yesterday, moving from early strength to marked late easiness on speculation that leader ICI was contemplating a major fund-raising operation. Rumours spread quickly during the afternoon business of the group being ready to announce a large rights issue in order to finance a pending acquisition, which many thought could be pharmaceutical leader Beecham.

The FT-SE 100 share index was up 13.3 at 10.25 am but from that point onwards it slipped back. The fall gathered speed throughout the last hour of official business into the after-hours' trade until checked by Wall Street. US values went sharply higher early yesterday and blue chip issues in London eventually edged away from the lowest levels. The index closed 12.6 down at 1675.7, after 1671.5.

Earlier the scene had been one of optimism. Prospects for cheaper money brightened following further reductions in European interest rates and investors began to look forward to similar moves on the domestic front. The cuts in bank base rates from 11½ to 11 per cent caused surprise, however, for these had been expected to be delayed until after announcement of the March banking statistics, due to be released at 2.30 pm today. The authorities later sanctioned the base rate moves and the key three-month interbank rate reacted to 10½ per cent.

Further selling connected with the deferment of capital gains was well absorbed but heavier offerings from professional operators later found conditions more sensitive. Most dealers went with the downturn and some traders were forced to accept low prices to close their short-term positions.

Government securities responded from the outset to the trend towards lower international interest rates. Slightly firmer North Sea oil prices enabled sterling to resist the effects of cheaper borrowing costs and widespread demand took short and longer bonds sharply higher. The gains were clipped by profit-taking in the late afternoon but the ground lost was fully recovered during the unofficial trade. Longer-dated stocks were then sporting rises stretching to 2½ points while the shorts were a point or so up on the session. Index-linked Gilts also fared well in a market experiencing acute stock shortages and the longest maturity, 2020, gained a full point more to 94½.

Standard Chartered up

Standard Chartered remained the centre of attention in the banking sector, the shares advancing further to touch a new peak of 888p before closing a net 4 better on balance at 882p on hopes of an increased offer from Lloyds or a possible counter bid; Lloyds closed 5 off at 595p. **Midland** were also fairly active on continuing takeover speculation, but failed to hold an initial firm level of 580p and closed a few pence off at 565p. Among merchant banks, **Wintrust** rose 10 to 300p following demand in a thin market, while **Hambros** ended 8 down at 260p, having earlier touched 275p on bid hopes.

Confirmation that the United Kingdom Provident Institution is having merger discussions with Friends' Provident bolstered Life Issues, but **London and Manchester** sustained a fall of 20 to 840p on surprise news of the near-£27m rights issue.

Leading Buildings failed to fulfil early promise and initial gains of several pence were sometimes replaced by net losses on the day. **Tarmac** were particularly vulnerable to small selling and closed 16 lower at 486p. Housebuilders, boosted initially by the base rate cuts, turned back in the absence of follow-through support. **George Wimpey** touched 166p prior to closing 4 higher at 164p, while **Barratt Developments**, after touching 150p, eased back to close unchanged at 146p. **Wilson Connolly** continued to reflect the good annual results with a fresh gain of 7 at 435p, while **John Laing**, preliminary figures due tomorrow, firmed the same amount to 402p. Elsewhere, SGB added 6 to 364p, after 372p, as bid rumours revived, while fresh demand in a restricted market lifted **Helical Bar** to 193p before a close of 18 higher on balance at 180p. Brick concern **Ibstock Johnsen** gained 6 to 188p following a broker's circular.

ICI dipped to 915p on vague rights issue rumours before closing 12 lower on balance at 921p.

Bid for Our Price

Our Price, the record, tape and compact disc chain introduced to the market some two years ago at around 215p per share, touched 705p before settling 73 higher on balance at 648p following the agreed share-exchange offer from **W. H. Smith**. The latter, which forecast substantially increased profits and dividend for the current year, advanced to 304p initially but later reacted to widespread offerings following a closer examination of the deal and closed a net 20 cheaper at 336p. Other leading Stores, relatively subdued throughout the morning session, encountered selling after the official close but settled above the worst. **Burton**, down to 316p earlier, ended only 8 off balance at 324p, while **Marks and Spencer** eased 5 to 211p, after 208p. **Woolworth**, currently in receipt of a hostile bid from Dixons, finished 10 cheaper at 895p, but **Harris Queensway** improved 12 to 310p amid revived speculation that Woolworth may launch a defensive offer for the company. Mail-orders made fresh progress under the lead of **Grattan** which rose 14 to 454p ex-the rights issue; the new nil-paid opened at 70p premium, touched 88p premium and closed at 80p premium. **Next** dipped a few pence to 290p despite revealing interim profits in excess of most market estimates, but takeover hopes continued to bolster **Peters**, 4 up for a two-day gain of 12 to 72p. **Asprey**, the jewellers, spurted 70 to 600p, after 620p, amid speculation surrounding Sears' 25 per cent stake in the company.

Press comment on **Amstrad's** purchase of Sir Clive Sinclair's research computer business induced renewed demand for Amstrad shares which raced ahead to touch a new peak of 510p before closing 18 up on balance at 496p. **SCUSA** advanced 8 to 151p following persistent speculative buying fuelled by talk of an imminent bid from Automated Security, 3 off at 200p. **CAP** rose 13 to 240p, after 243p, on news of the joint venture with Dowty, while asset injection hopes left **Sunleigh** 2½ dearer at 32p, after 32½p.

Leading Engineers held up relatively well, but **Vickers**, partly reflecting a "take profits" recommendation, dipped 20 to 518p. In contrast, secondary issues recorded several firm features. Takeover talk left **Pegler Hattersley** 20 higher at 458p, after 468p and **Weir Group**, 8 higher at 141p, after 144p. Satisfactory trading statements helped **Ash and Lacy** rise 12 to 395p and **Beauford** a similar amount to 128p, while **Delta** advanced 9 to 234p on talk of a broker's visit to the company. Favourable comment on the preliminary figures left **Glynwed** 8 higher at 388p, but selling in an unwilling market prompted a fall of 20 to 301p in **Laird**.

Cadbury Schweppes attracted early support and touched 177p before easing back on profit-taking to close unchanged at 172p. **Rowntree Mackintosh** drifted back on lack of interest to close 10 lower at 488p. A continuation of Monday's bout of profit-taking left **Tate and Lyle** 7 off at 628p, but revived demand lifted **Northern Foods** 6 to 274p. **S. & W. Berisford** edged up 2 to 245p; bidders **Hillsdown Holdings** gained 8 more to 315p, after 320p. **Bejam**, reflecting re-rating suggestions, gained 9 to 155p, while **Bernard Matthews** continued to respond to small buying in a restricted market and rose 45 to 750p.

Beecham fluctuate

Beecham, still reflecting bid rumours, eased to 398p before recovering on fresh speculative demand to close 2 firmer on the day at 408p. Other leading miscellaneous industrials followed the general trend, quotations drifting back from a firm start. **Glaxo** settled 23 lower at 977p, while **BTR** finished 8 cheaper at 463p. **Pilkington**, however, still recorded a gain of 4 at 466p, after touching 473p at one stage. Elsewhere, **Pentland Industries**, reflecting comment on the preliminary figures and the announcement of quarterly results from Reebok, advanced 30 to 540p. Following news of the major share-stake change, **Continuous Stationery** featured a gain of 16 at 43p. **Rank Organisation** met with US support and put on 20 to 577p, but **Williams Holdings**, a good market of late, fell 17 to 663p on suggestions that the company may bid for either Weir Group or Pegler Hattersley. Following the agreed bid for **Marshalls Universal**, dealings resumed in **British Syphon**, at 136p, and the former at 85p compared with suspension prices of 141p and 82p respectively. **Johnston Group** reacted 17 to 313p after the preliminary figures, but **Granada** responded to the profits forecast made at the annual meeting with a rise of 10 to 295p. Dealings were temporarily suspended in **Dwek Group** at 75p, down 8; it was announced later that negotiations are at an advanced stage for the acquisition of a company engaged in the manufacture of leisure and sports wear.

Scottish TV A continued to respond to the good results and gained a further 21 to 324p. **Fairline Boats** attracted revived speculative support and put on 23 to 175p.

Proceedings in Motor Components featured **Kwik-Fit** which attracted a lively turnover in the wake of the preliminary results and closed 3 to the good at 100p. Distributors were irregular. Revived speculative support in a narrow market lifted **Jessups** 12 more to 115p.

The proposed mergers between Addison Page and Chetwyn Streets and Valin Pollen and Good Relations stimulated fresh interest in **Shandwick**, the USM-quoted PR consultancy, which advanced 10 to 208p. **London and Continental Advertising** rose 9 to 180p, after 185p, following the near-doubled full-year profits.

The emphasis in Properties switched to the leaders where **MEPC** revived strongly and touched 350p prior to closing 7 higher on balance at 345p. **Stock Conversion** attracted late support and finished 25 up at 630p. Elsewhere, **London and Edinburgh** touched 740p on the good annual results and proposed one-for-five scrip issue before easing back on profit-taking to close 20 lower on balance at 705p. Estate agents were excited by the base rate cuts. **Connells**, annual results due on Friday, gained 15 to 230p, after 235p, while **Mann & Co** rose 25 to 315p. **Mountleigh** continued to reflect property development prospects in Yorkshire with a fresh rise of 35 to 810p, while **Edmond Holdings**, still responding to Press comment, added 1½ more to 20½p. **Abaco** attracted fresh speculative support and touched 50p before closing 2 dearer at 47p, while **Five Oaks** put on 3½ to 62½p.

NMC Investments continued firmly among Financial Trusts, rising 14 afresh for a two-day jump of 34 at 117p, after 121p, on persistent speculative support in anticipation of today's EGM.

A firm opening by the leading oils—reflecting another good performance by crude oil prices which continued to respond to the total shutdown of Norwegian oil fields in the North Sea—was gradually eroded by profit-taking and a subsequent easing in oil prices. **Shell** opened at 770p but fell back to end the session a net 11 off at 757p, while **BP**, initially quoted at 573p, closed a few pence off on balance at 565p. **LASMO** gave up 5 to 143p, after an early 151p and **Ultramar** settled 3 cheaper at 185p. **Enterprise** hardened a shade to 148p on news of the £50m issue of Eurobonds.

News of an overall 7½ per cent increase in the price of rough gem diamonds from May 6 encouraged widespread support for **De Beers** which touched 725p immediately following the announcement before easing to close a net 10 better at 515p. De Beers' associate **Anamint** put on £1 at £55, while **Anglo American Corporation** rose 15 to 840p.

Elsewhere in South African financial issues, "**Amcoal**" remained under a cloud and fell 75 more to 825p reflecting renewed Johannesburg selling, and **New Wits** dipped 25 to 425p. UK Financials continued to lose ground, unsettled by the general slide in domestic equities and also in the absence of any takeover developments regarding **RTZ**, the latter, reporting preliminary results on Thursday, dropped 17 more to 740p—a two-day decline of 40—while **Consolidated Gold Fields** retreated from an earlier 485p to end the day a net 2 off at 478p. **Hampton Areas** lost a couple of pence to a year's low of 104p, but **Gold & Base** were the subject of renewed speculative support which lifted the shares 3 to 28p. **Geevor Tin**, which dropped to 30p at one point last Wednesday on news that the company is to halt mining operations and lay off its workforce, attracted a fresh bout of speculative buying and put on 7 more to 52p.

Slightly busier trading conditions in Traded Options resulted in 21,529 deals done, comprising 14,854 calls and 6,675 puts.

FINANCIAL TIMES STOCK INDICES

	Apr. 8	Apr. 7	Apr. 4	Apr. 3	April 2	April 1	year ago
Government Secs	93.09	91.75	91.47	91.92	92.34	92.55	80.89
Fixed Interest	96.66	96.07	95.97	96.20	96.35	96.02	85.42
Ordinary ♥	1368.1	1400.5	1480.9	1485.2	1412.4	1402.2	965.2
Gold Mines	288.0	290.0	290.2	290.5	288.3	279.8	313.2
Ord. Div. Yield	3.87	3.85	3.76	3.77	3.79	3.87	4.73
Earnings, Yld. % (full)	9.45	9.34	9.19	9.15	9.22	9.35	11.95
P/E Ratio (net) (*)	13.14	13.26	13.46	13.49	13.43	13.36	10.21
Total bargains (Est.)	42,917	48,381	41,615	36,105	37,907	40,436	26,597
Equity turnover £m	—	889.01	990.00	766.40	770.49	791.01	354.20
Equity bargains	—	46,029	47,461	43,006	38,119	[illegible]	26,395
Shares traded (ml)	—	374.0	310.4	308.9	284.9	[illegible]	140.8

♥ 10 am 1410.1. 11 am 1408.5. Noon 1407.7. 1 pm 1405.0. 2 pm 1402.7. 3 pm 1396.0. 4 pm 1385.8. Day's High 1411.4. Day's Low 1385.2. Basis 100 Government Securities 15/10/26. Fixed interest 1928. Ordinary 1/7/35. Gold Mines 12/9/55. SE Activity 1974. Latest Index 01-246 8026. *Nil=12.70.

HIGHS AND LOWS

—	1986 High	1986 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs.	93.09 (8/4)	80.39 (20/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	96.66 (8/4)	85.52 (23/1)	150.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1426.9 (4/4)	1094.3 (14/1)	1426.9 (3/4/86)	49.4 (26/6/40)
Gold Mines	357.0 (7/1)	257.6 (2/1)	734.7 (15/2/83)	43.5 (26/10/71)

S.E. ACTIVITY

Indices	Apr. 7	Apr. 4
Daily Gilt Edged Bargains	187.4	158.7
Equities Bargains	998.2	307.3
Value	1,796.8	3008.7
5 day average Gilt Edged Bargains	172.8	175.0
Equities Bargains	265.9	282.0
Value	1,565.8	1569.4

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS — Tues April 8 1986

Figures in parentheses show number of stocks per section

	Index No.	Day's Change %	Est. Earnings Yield % (Max.)	Gross Div. Yield % (ACT at 29%)	Est. P/E Ratio (Net)	xd adj. 1986 to date	Mon April 7 Index No.	Fri April 4 Index No.	Thurs April 3 Index No.	Year ago (approx.) Index No.
1 CAPITAL GOODS (213)	722.20	-0.5	8.02	3.29	15.75	3.97	726.11	734.25	737.75	535.82
2 Building Materials (25)	823.57	-0.4	7.99	3.38	15.78	1.60	826.68	844.79	843.55	487.58
3 Contracting, Construction (28)	[illegible]									
4 Electricals (12)	[illegible]									
5 Electronics (38)	[illegible]									
6 Mechanical Engineering (64)	[illegible]									
8 Metals and Metal Forming (7)	[illegible]									
9 Motors (17)	[illegible]									
10 Other Industrial Materials (22)	[illegible]									
21 CONSUMER GROUP (185)	[illegible]									
22 Brewers and Distillers (23)	[illegible]									
25 Food Manufacturing (22)	[illegible]									
26 Food Retailing (14)	[illegible]									
27 Health and Household Products (10)	[illegible]									
29 Leisure (24)	[illegible]									
31 Publishing & Printing (14)	[illegible]									
32 Packaging and Paper (14)	[illegible]									
34 Stores (44)	[illegible]									
35 Textiles (17)	[illegible]									
36 Tobaccos (3)	[illegible]									
41 OTHER GROUPS (85)	[illegible]									
42 Chemicals (19)	[illegible]									
44 Office Equipment (4)	[illegible]									
45 Shipping and Transport (12)	[illegible]									
46 Telephone Networks (2)	[illegible]									
47 Miscellaneous (48)	[illegible]									
49 INDUSTRIAL GROUP (483)	[illegible]									
51 Oil & Gas (17)	[illegible]									
59 500 SHARE INDEX (500)	[illegible]									
61 FINANCIAL GROUP (117)	[illegible]									
62 Banks (7)	[illegible]									
65 Insurance (Life) (9)	[illegible]									
66 Insurance (Composite) (7)	[illegible]									
67 Insurance (Brokers) (8)	[illegible]									
68 Merchant Banks (11)	[illegible]									
69 Property (50)	[illegible]									
70 Other Financial (25)	[illegible]									
71 Investment Trusts (103)	[illegible]									
81 Mining Finance (3)	[illegible]									
91 Overseas Traders (14)	[illegible]									
99 ALL-SHARE INDEX (737)	818.36	-0.5	—	3.70	—	6.56	822.45	832.36	832.39	612.34

	Index No.	Day's Change	Day's High	Day's Low	Apr 7	Apr 4	Apr 3	Mar 28	Year ago
FT-SE 100 SHARE INDEX ‡	1675.7	-12.6	1781.8	1673.5	1688.3	1709.7	1717.6	1702.9	1279.2

FIXED INTEREST

PRICE INDICES	Tues Apr 8	Day's change %	Mon Apr 7	xd adj. today	xd adj. 1986 to date
British Government					
1 5 years	123.32	+0.62	122.70	0.15	3.09
2 5-15 years	147.50	+1.54	145.84	0.27	3.99
3 Over 15 years	157.62	+1.67	155.04	—	3.61
4 Irredeemables	176.24	+1.60	173.47	—	2.63
5 All stocks	142.14	+1.25	140.38	0.19	3.49
Index-Linked					
6 5 years	112.45	+0.87	111.48	—	0.81
7 Over 5 years	113.48	+0.74	112.65	—	0.83
8 All stocks	113.29	+0.76	112.44	—	0.90
9 Debentures & Loans	123.50	+0.57	122.80	—	2.48
10 Preference	85.57	+0.86	84.84	—	2.17

AVERAGE GROSS REDEMPTION YIELDS — Tues Apr 8, Mon Apr 7, Year ago (approx.): [illegible]

‡ Opening index 1696.3; 10 a.m. 1700.5; 11 a.m. 1695.6; Noon 1693.7; 1 p.m. 1691.2; 2 p.m. 1687.3; 3 p.m. 1679.7; 3.30 p.m. 1672.1; 4 p.m. 1672.0

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 28p.

YESTERDAY'S ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday.

Stock	Closing price	Day's change
Beecham	408	+2
Amstrad	496	+18
Fisons	601	-9
Granada	295	+14
ICI	921	-12
Imperial Group	333	-5
Kwik-Fit	100	+3
Lonrho	393	-6
MEPC	345	+7
SGB	364	+6
Smith (W. H.) A	336	-20

MONDAY'S ACTIVE STOCKS

Based on bargains recorded in Stock Exchange Official List.

Stock	No. of changes	Mon. close	Day's change
Standard Chart.	46	878	+73
Beecham	33	406	+20
Glynwed Ind.	20	380	+12
RTZ	19	757	-23
Vickers	18	538	-2
Hambros	16	268	+30
ICI	16	933	[illegible]
Imp. Cont. Gas	15	415	+22
Pentland Inds.	15	610	-20
STC	15	[illegible]	[illegible]
Vaux	15	485	[illegible]
Jaguar	15	433	-6

EUROPEAN OPTIONS EXCHANGE

Series	May Vol.	May Last	Aug. Vol.	Aug. Last	Nov. Vol.	Nov. Last	Stock
[illegible]							

TOTAL VOLUME IN CONTRACTS: 43,267.
A=Ask B=Bid C=Call P=Put

RECENT ISSUES

EQUITIES

Issue price	Amount paid up	Latest Renunc. date	1986 High	1986 Low	Stock	Closing price	+ or –	Net Div.	Times covered	Gross Yield	P/E Ratio
[illegible]											

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renunc. date	1986 High	1986 Low	Stock	Closing price £	+ or –
[illegible]							

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renunc. date	1986 High	1986 Low	Stock	Closing price p	+ or –
[illegible]							

Renunciation date usually last day for dealing free of stamp duty. [illegible]

NEW HIGHS AND LOWS FOR 1986

NEW HIGHS (263)

BRITISH FUNDS (97), INT. BANK & OVERSEAS GOVT. STLG. ISSUES (10), CORPORATION LOANS (8), LOANS (3), BANKS (4), BREWERS (2), BUILDINGS (7), CHEMICALS (2), STORES (12), ELECTRICALS (10), ENGINEERING (18), FOODS (4), INDUSTRIALS (33), INSURANCE (3), LEISURE (2), MOTORS (3), NEWSPAPERS (1), PAPER (7), PROPERTY (13), SHOES (1), TEXTILES (5), TRUSTS (9), OILS (1), PLANTATIONS (1), MINES (1).

NEW LOWS (28)

ELECTRICALS (6) Amer. Elect. Components, Black & Decker, Mitel Corp., Norbain Elec., Pifco, Powerline Ind. ENGINEERING (1) Wyndham. HOTELS (1) Mount Charlotte. INDUSTRIALS (6) Assoc. Heat Services, Hollis, Interеurope Tech., Limoges Porcelain, Tech. Computer Inds., Wills Group. INSURANCE (1) Alexander & Alexander. LEISURE (2) GRA, Really Useful. TRUSTS (2) Independent Inv., Silvermines. OILS (6) Dorset Resources, Eglinton Oil, Lennard Oil, Magellan Petroleum, Moonie Oil. MINES (4) Anglo. Amer. Coal, Eastern Petrol Aust., North Broken Hill, Hampton Areas.

TRADITIONAL OPTIONS

First Dealings	Last Dealings	Last Declaration	For Settlement
Apr 7	Apr 18	July 10	July 21
Apr 21	May 2	July 24	Aug 4
May 6	May 16	Aug 7	Aug 18

For rate indications see end of Unit Trust Service.

Call options were taken out in STC, Combined Technologies, Sunleigh Electronics, Wellcome, Wardle Storeys, Riley Leisure, Cadbury Schweppes, Edmond Holdings, Exco, Clothes, Phoenix Properties, Berry Trust, House of Fraser, Bestalls, F. & W. MacLellan, MEPC, Richardsons Westgarth, Audiotronic, George Wimpey, Erith, C. H. Bailey, Bestobell, Amstrad, I. J. Dewhirst, Charter-hall, Kwik-Fit, Folkes Group, Lasmo, Hambros, NSS Newsagents, Atlantic Resources. Puts were done in Riley Leisure and ICI. No doubles were reported.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	112	2	3
Corpns, Dom & Foreign Bonds	42	9	36
Industrials	295	476	731
Financial & Props	128	111	329
Oils	18	29	53
Plantations	6	0	12
Mines	40	55	110
Others	31	54	71
Totals	715	889	1,357

LONDON TRADED OPTIONS

Option	Calls Apr.	Calls July	Calls Oct.	Puts Apr.	Puts July	Puts Oct.
B.P. (*565) 500	70	22	150	5	[illegible]	[illegible]
550	25	45	68	10	[illegible]	[illegible]
600	5	25	38	45	[illegible]	[illegible]
Cons. Gold (*474) 460	40	57	57	20	[illegible]	[illegible]
500	15	37	50	41	[illegible]	[illegible]
550	4	22	36	85	[illegible]	[illegible]
[illegible]						

April 8 Total contracts 21,529 Calls 14,854 Puts 6,675 *Underlying security price.

WORLD STOCK MARKETS

AUSTRIA

April 8	Price Schs	+ or −
Creditanst'lt pp *	2,310	
Goesser *	3,300	+100
Interunfall *	13,450	+50
Jungbunzlauer *	12,400	+100
Laenderbank *	2,075	−25
Perlmooser	680	+5
Steyr Daimler	177	+8
Veitscher Mag *	2,950	+830

BELGIUM/LUXEMBOURG

[illegible]

DENMARK

[illegible]

FRANCE

April 8	Price Frs.	+ or −
[illegible]		
Petroles Fra.	346.9	+8.9
Peugeot S.A.	1,180	−30
Printemps (Au)	639	−1
Radiotech	886	−16
Redoute	2,300	−166
Roussel-Uclaf	1,649	−41
Scfimeg	615	−5
Skis Rossignol	1,460	−30
Telemec Elect	3,480	−40
Thomson (CSF)	1,200	−70
Valeo	560	

GERMANY

[illegible]

ITALY

[illegible]

NETHERLANDS

Apr. 8	Price Fls	+ or −
[illegible]		
Philips	85.9	−0.8
Robeco	91.8	−0.8
Rodamco	141.5	+0.3
Rolinco	83.6	−1.4
Rorento	60.9	−0.2
Royal Dutch	190	−2.4
Unilever	423	−5
VMF Stork	298	
VNU	289	+1
Wessanen	863	+0.0
West Utr Bank	60.1	

NORWAY

[illegible]

SPAIN

[illegible]

SWEDEN

[illegible]

SWITZERLAND

[illegible]

AUSTRALIA

[illegible]

AUSTRALIA (continued)

[illegible]

HONG KONG

[illegible]

JAPAN

[illegible]

JAPAN (continued)

[illegible]

SINGAPORE

[illegible]

SOUTH AFRICA

[illegible]

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. * Price in Schillings.

CANADA

TORONTO

Prices at 2.30pm April 8

Sales	Stock	High	Low	Close	Chng
[illegible]					
15380	Card CK	$15⅝	14¾	15⅝	+½
39920	Carma A	20	19	20	
4750	Cardin	170	144	144	−41
5392	Celanese	$16½	16¼	16½	+¼
8300	CentFd A	$6⅝	6¼	6⅝	+⅛
42120	Centrl Tr	$19¼	18⅝	18¾	−⅛
100236	Chieftan	$10½	10¼	10¼	−⅛
18849	Cominco	$13¼	13	13¼	+¼
3850	Comautlog	$6¼	6½	6¼	
[illegible]					
890	Inland Gas	$11⅞	11¾	11⅞	+⅛
5910	Innopac	$18⅝	18	18⅝	+⅝
6400	Inter City	$15⅝	15½	15⅝	+⅛
17800	Int Thom	$9½	9⅜	9⅜	
52308	Inpr Pipe	$43⅝	43⅛	43⅛	−¼
73500	Ivaco A 1	$25⅝	25¼	25⅝	+¼
5150	Jannock	$24⅝	24½	24½	
1600	Kerr Add	$16	15½	15½	−½
100	Kiena Gld	$23¼	23¼	23¼	
[illegible]					

F—No voting rights or restricted voting rights.

MONTREAL

Closing prices April 7

[illegible]

Total Sales 3,990,122 shares

Indices

NEW YORK—DOW JONES

	April 8	April 7	April 4	April 3	April 2	April 1	1985/86 High	1985/86 Low	Since Compilation High	Since Compilation Low
Industrials		1,735.63	1,739.22	1,788.40	1,795.28	1,790.11	1821.72 (27/3/86)	1184.96 (4/1/85)	1821.72 (27/3/86)	41.22 (2/7/32)
Transport		778.83	779.32	800.60	813.67	813.05	838.84 (31/3/86)	553.83 (4/1/85)	838.84 (31/3/86)	12.32 (8/7/32)
Utilities		185.27	188.55	188.68	191.27	191.32	193.73 (31/3/86)	146.54 (4/1/85)	193.73 (31/3/86)	12.5 (28/4/42)
Trading vol		130m	147m	148m	145m	187m	—	—	—	—

	March 21	March 14	March 7	Year Ago (Approx)
Ind Div Yield %	3.65	3.60	3.77	4.82

STANDARD AND POORS

	April 8	April 7	April 4	April 3	April 2	April 1	1985/86 High	1985/86 Low	Since Compilation High	Since Compilation Low
Industrials	256.3*	252.74	252.88	256.58	260.22	259.37	263.87 (27/3/86)	128.24 (4/1/85)	263.87 (27/3/86)	3.62 (30/6/32)
Composite	231.71*	228.83	228.69	232.47	235.11	235.14	238.97 (27/3/86)	163.68 (4/1/85)	238.97 (27/3/86)	4.40 (1/6/32)

	March 26	March 19	Feb 19	Year Ago (Approx)
Ind div yield %	3.05	3.08	3.30	3.88
Ind. P/E Ratio	16.88	16.71	15.36	11.14
Long Gov Bond Yield	7.84	8.01	8.06	11.77

N.Y.S.E. ALL COMMON

April 8	April 7	April 4	April 3	1985 High	1985 Low
133.77*	132.87	132.29	134.41	136.17 (14/3/86)	94.60 (4/1/85)

RISES AND FALLS

	April 7	April 4	April 3
Issues traded	2,039	2,048	2,059
Rises	871	438	510
Falls	089	1,245	1,168
Unchanged	379	357	381

NYSE-Consolidated 1500 Actives

	Stocks Traded	3.00p.m. Price	Change on Day
Genstar	3,692,400	38½	−2⅛
Nat Gyps	1,185,100	52¾	+3¼
Crning Gls	1,159,300	74⅞	+1½
IBM	1,112,100	151	+1½
Walt Dis	1,090,300	38⅜	+2⅛
Nr-Wel	1,041,900	25⅞	−⅛
Southern	978,800	23⅝	+½
Mid-So Utl	949,400	13⅝	+½
ATT	948,300	22	+¼
Mesa Gas	828,400	13	+⅛

Advances 1,281 Declines 334

TORONTO

	April 8	April 7	April 4	April 3	1985/86 High	1985/86 Low
Metals & Minls	2,281.7*	2,278.7	2,266.2	2,311.8	2,442.85 (21/3/86)	1748.82 (31/10/85)
Composite	3,038.4*	3,035.8	3,017.4	3,036.2	3,055.3 (21/3/86)	2348.5 (8/1/85)
MONTREAL Portfolio	1,567.87*	1,572.4	1,561.71	1,575.81	1,583.36 (21/3/86)	1,289.49 (4/1/85)

* Indicates pre-close figure

	Apr. 8	Apr. 7	Apr. 4	Apr. 3	1986 High	1986 Low
AUSTRALIA						
All Ord. (1/1/80)	1148.1	1148.5	1153.0	1144.2	1168.8 (25/3)	1010.5 (2/1)
Metals & Minls. (1/1/80)	545.0	545.8	550.3	555.5	602.8 (24/1)	492.5 (2/1)
AUSTRIA						
Credit Bk Aktien (2/1/62)	116.57	115.17	114.68	114.47	126.82 (15/1)	110.12 (5/3)
BELGIUM						
Brussels SE (1/1/80)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
DENMARK						
Copenhagen SE (3/1/83)	(u)	245.71	(c)	(u)	245.71 (7/4)	214.37 (21/1)
FRANCE						
CAC General (31/12/82)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ind Tendance (31/12/85)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
GERMANY						
FAZ Aktien (31/12/58)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Commerzbank (1/12/53)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
HONG KONG						
Hang Seng Bank (31/7/64)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ITALY						
Banca Comm Ital. (1972)	678.49	717.37	726.81	726.13	732.92 (2/4)	454.67 (24/1)
JAPAN**						
Nikkei (16/5/49)	15014.1	15062.0	15019.81	15272.2	15858.7 (31/3)	12881.5 (21/1)
Tokyo SE New (4/1/68)	1205.40	1205.07	1202.55	1218.08	1265.95 (31/3)	1025.85 (21/1)
NETHERLANDS						
ANP-CBS General (1970)	267.0	270.1	268.0	268.9	270.1 (7/4)	239.4 (3/3)
ANP-CBS Indust (1970)	258.0	255.5	255.1	255.5	266.5 (7/4)	234.0 (5/3)
NORWAY						
Oslo SE (4/1/83)	352.16	355.99	353.04	355.05	402.91 (16/1)	341.55 (11/3)
SINGAPORE						
Straits Times (30/12/66)	591.58	585.22	588.81	593.28	844.89 (8/1)	560.66 (18/3)
SOUTH AFRICA						
JSE Gold (28/9/78)	—	1205.2	1213.4	1228.5	1307.0 (27/1)	1168.7 (18/2)
JSE Indust (28/9/78)	—	1151.2	1158.5	1140.6	1203.1 (20/3)	1068.5 (2/1)
SPAIN						
Madrid SE (30/12/85)	158.07	159.15	150.00	161.84	162.56 (1/4)	100.03 (3/1)
SWEDEN						
Jacobson & P (31/12/56)	2231.53	2201.72	2179.90	2150.54	2252.35 (8/4)	1729.37 (28/1)
SWITZERLAND						
Swiss Bank Cpn (31/12/58)	600.1	589.5	601.0	590.0	625.5 (8/1)	554.7 (28/2)
WORLD						
M.S. Capital Intl. (1/1/70)	—	296.8	298.8	302.2	300.0 (31/3)	240.8 (23/1)

** Saturday April 5: Japan Nikkei 15,124.33. TSE 1,210.59.

Base value of all indices are 100 except JSE Gold—255.7. JSE Industrial—264.3, and Australia. All Ordinary and Metals—500. NYSE All Common—50; Standard and Poors—10; and Toronto Composite and Metals—1,000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed. u Unavailable.

LONDON

Chief price changes (in pence unless otherwise indicated)

RISES

Tr 11½ 89	£105¹¹⁄₆₄	+ 1
Tr 13½ 04–08	£141¾	+2¼
Tr 2½ IL 20	£94½	+ 1
Asprey	600	+70
Beaufords	128	+11
Bejam	155	+ 9
Connells Est Ag	230	+15
Continuous Stat	43	+18
Delta Group	234	+ 9
Fairline Boats	175	+23
Geevor Tin	52	+ 7
Harris Queens	310	+12
Helical Bar	180	+18
Hopkinsons	222	+16
Jessups	115	+12
MEPC	345	+ 7
Matthews (B)	750	+45
NMC Inv	117	+14
Our Price	648	+73
Pegler-Hatters	458	+20
Pentland Ind	540	+30
Rank Org.	577	+20
SCUSA Inc	151	+ 8
Weir Group	141	+ 8

FALLS

Glaxo	977	−23
ICI	921	−12
Laird Group	301	−22
Smith (WH) A	336	−20
Tarmac	486	−16
Vickers	518	−20

Prices at 2pm, April 8

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev Close
24	10⅝	AAR s			20	102	21¼	20¾	21¼	-¼
36	17¼	AFG			17	978	35¾	35⅜	35½	-⅛
25⅝	10¼	AGS			14	149	20⅝	20⅛	20⅝	+⅜
15	9½	AMCA				3	14	14	14	
57⅞	37½	AMR			8	3767	54½	53¼	54½	-1
25¾	19⅝	AMR pf2.18		8.8		1	24⅞	24⅞	24⅞	-⅛
12½	7⅝	APL			7	14	11½	11½	11½	-⅛
16¾	10¾	ARX			13	72	14¼	14⅛	14¼	-⅛
55⅝	32¾	ASA	2a	5.5		179	37¼	36⅞	36⅞	-¼
18⅝	10½	AVX		2.2		82	14⅞	13⅞	14¾	+¼
30⅝	22½	AZP	2.72	9.1	8	3966	30⅛	29¾	30	-⅛
86¾	49½	AbtLab 1.68		2.0	21	1208	83¾	81¾	82⅞	-¾
31⅞	19⅝	AccoWd.50		1.7	21	2	29½	29½	29½	
24¾	10	AcmeC .40		2.9	19	163	13⅝	13⅜	13⅝	+⅛
9¼	7	AcmeE .32b		3.8	16	19	8⅜	8¼	8⅜	-⅛
19¾	16⅞	AdaEx 1.90e		10		91	18½	18¾	18⅞	+⅛
29	14	AdmMl .40		1.5	11	9	26½	26⅛	26⅛	-⅛
20⅜	6¾	AdvSys .36t		8.1	16	123	16¾	16½	16¼	-½
33½	22⅛	AMD				1922	28½	28¼	28¼	-¼
12⅝	8½	Adobe n				51	9⅜	9	9¼	+¼
18⅝	14⅝	Adob pf1.84		11		24	16½	16⅜	16½	-⅛
17¾	8⅞	Advest .12a		.9	14	296	15⅝	15	15⅝	+½
66¼	39⅛	AetnLf 2.64		4.2	16	2214	63	62¾	62⅞	+¼
57½	52⅞	AetL pf4.97e		8.4		63	53¾	52¾	52¾	-¼
69½	29	Ahmns 1.38		2.2	8	737	62½	61¼	62⅜	-1¼
4¼	2½	Aileen			79	70	4	3¾	3⅞	-⅛
82⅝	47	AirPrd 1.48		1.9	16	209	77	76¼	76¾	+⅝
27¾	17½	AirbFrt .60		2.3	18	721	25⅞	24½	25⅝	-1⅛
2⅞	⅛	AlMoanl .50c				140	⅛	15-32	⅛	
29¼	25½	AlaP pf2.52e		9.3		2	27⅛	27⅛	27⅛	+⅜
10¼	7	AlaP dpf.87		8.9		24	9¾	9¾	9⅞	-¼
103¼	70¼	AlaP pf 9		9.0		z1300	100¼	100¼	100¼	+⅝
[illegible]										

Continued on Page 37

NYSE COMPOSITE PRICES

Continued from Page 36

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
26 1/2	22 3/4	PetRs	3.51e	14.		80	25 5/8	24 1/2	25 5/8	+1
17 1/4	15 3/4	PetRs pf	1.57	8.2		23	17 1/8	17	17 1/8	
5 1/8	2	Phrlnv	.68e	28.		13	2 1/4	2 3/8	2 3/8	−1/8
81	41 3/4	Pfizer	1.64	2.9	17	2118	57 3/8	56 1/4	57 3/8	+1 1/4
32 1/2	18 3/4	PhelpD			47	2009	29 1/8	28 3/4	28 3/4	
83	45	Phelp pr	5	8.5		104	59	58 1/2	58 1/2	
57 1/8	34 1/8	PhibrS	.64	1.2	14	4001	54 1/2	53 1/8	54 5/8	+1 7/8
20 1/4	13 7/8	PhilaEl	2.20	11.	8	3220	19 5/8	19	19 3/8	+3/8
37	27	PhilE pf	3.00	11.		z20	35	35	35	
42	32	PhilE pf	4.40	11.		z10	40	40	40	+1/2
44 1/2	33	PhilE pf	4.68	11.		z70	41	41	41	−1/2
67 3/8	50 1/8	PhilE pf	7	11.		z130	65	65	65	
81 1/2	60	PhilE pf	8.75	11.		z150	78 1/4	78 1/4	78 1/4	−1 1/4
13 3/8	8 1/4	PhilE pf	1.41	12.		23	12 3/8	12 1/8	12 1/4	−1/8
12 5/8	9 1/8	PhilE pf	1.33	11.		29	11 5/8	11 1/2	11 5/8	
75	52	PhilE pf	7.85	11.		z210	70	70	70	−1/4
12 5/8	8 3/4	PhilE pf	1.28	11.		38	11 5/8	11 1/4	11 1/4	−3/8
130	115	Phil pf	17.13	14.		z3450	126 1/2	125 1/2	126 1/2	+1/2
117 1/2	106 7/8	PhilE pf	15.25	13.		z2200	114 1/2	114	114 1/2	+1/2
88	64	PhilE pf	9.50	11.		z100	86	86	86	
75	54 1/2	PhilE pf	7.80	11.		z610	71	70 3/4	71	+1/2
73	54	PhilE pf	7.75	11.		z200	66	66	66	−2 1/4
23 1/4	18 1/4	PhilSub	1.32	6.8	12	21	19 1/2	19 3/8	19 1/2	+1/8
125 1/2	72	PhilMr	4.60	4.0	11	2687	115	113 7/8	114 5/8	+1 1/8
63 1/2	54 1/2	PhilM wi				32	57 5/8	57 1/8	57 1/2	+1/4
36 1/4	18 3/8	Philpln	.60	1.8	17	44	33 3/8	33	33 1/4	
13 7/8	9 1/4	PhilPt s	1	9.5	7	4828	10 1/2	10 3/8	10 1/8	
25 1/2	19 1/2	PhlPt pf	1.60e	7.6		19	21 3/8	21 1/4	21 1/4	
[illegible]										

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
43	25 1/4	SeaCnt	.42							
13 1/8	11 3/8	SeaCt pf	1.46							
16 7/8	14 7/8	SeaC pfB	2.10							
17	14 5/8	SeaC pfC	2.10							
25 1/4	17 3/4	SeaLnd	.48							
[illegible]										
41 3/4	28 3/8	SgtWel	1.40	4.1	15	5	36 1/2	36 1/2	36 1/2	+1/4
19 7/8	15 3/4	SaulRE	.20	1.1	45	5	17 1/2	17 1/2	17 1/2	+1/4
30	18 3/4	SavEP	1.78	6.5	10	52	27 3/4	27 1/8	27 3/4	+3/8
12 7/8	10 3/8	SavE pf	1.28	10.		16	12 5/8	12 3/8	12 5/8	
5 5/8	3	Savin				186	3 7/8	3 3/4	3 7/8	+1/8
12 7/8	4	Savin pf				1	6 3/8	6 3/8	5 3/8	−1/8
33 1/4	23 3/8	SCANA	2.24	6.6	12	209	32 7/8	32 3/4	32 7/8	+3/8
70	42	SchrPlo	1.00	2.7	18	2152	66 1/8	65 1/2	66 3/4	+7/8
61 3/4	29	Schlmb	1.20	5.6	27	3573	31 7/8	31 1/8	31 1/4	−1/4
14 7/8	9 3/4	SciAll	.12	1.1	14	911	10 5/8	10 1/2	10 1/2	
63 1/4	35 3/8	ScottP	1.24	2.1	13	694	58 1/2	57 7/8	58 1/4	+1/4
17 7/8	12 3/8	Scotty s	.52	3.3	14	36	15 7/8	15 3/4	15 7/8	

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]										
60 3/8	36 3/4	UAL	1	1.6		1911	54 3/4	53 5/8	54 3/4	+1 1/4
19 1/8	11 3/4	UCCEL			16	58	18 7/8	18 1/2	16 5/8	+1/4
36 1/2	22 3/8	UDC n	.4	11.	10	116	37 1/4	36 7/8	37 1/4	+1/8
28 1/8	20	UGI	2.04	7.9		28	25 7/8	25 1/2	25 7/8	+1/8
13	9	UNCRes			15	178	12 5/8	12 1/4	12 1/2	+1/4
17 7/8	10 1/4	URS	.45r	2.7		328	16 3/4	16 1/8	16 5/8	+3/8
46 3/4	30 1/4	USFG	2.32	5.7		1291	42 3/8	40 5/8	41	−1
73 1/4	30 3/4	USG s	1.92	2.8	10	476	69 1/2	66 1/2	69 1/4	+2 1/4
21 1/4	12 7/8	UniFrst	.20	1.0	15	47	21	20 5/8	20 3/4	−1/8
97 1/2	63 1/2	Unilvr	3e	3.3	13	2	90	90	90	+1/4
165 3/4	95 3/8	UnNV	5.66e	3.5	14	133	160 3/4	159 5/8	160 1/4	+1 1/4
50 1/4	33 3/8	UCamp	1.84	3.5	24	516	47	45 7/8	46 3/4	+1 1/4

X Y Z

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
72 1/4	42 7/8	Xerox	3	4.7	14	1739	64 1/2	63 3/4	64 1/4	+5/8
57 7/8	50 3/4	Xerox pf	5.45	9.6		10	56 7/8	56 3/4	56 3/4	−1/4
37	28	ZaleCp	1.32	3.9	13	66	34 1/4	33 7/8	34 1/4	+1/2
15 1/2	3 1/2	Zapata	.03j			206	4 3/8	4 1/8	4 1/4	+1/8
74 1/2	40 1/4	Zayre s	.48	.7	23	736	72 7/8	71 1/8	72 3/4	+3/4
26 1/4	16 1/4	ZenithE				1211	23 1/4	23	23 1/4	+1/4
36	13	ZenLbs	.10i	.3	22	491	32	31 3/4	32	+1/4
22 3/8	13 3/4	Zero	e			93	20 1/2	20 1/4	20 1/2	+1/4
45 3/4	25 7/8	Zurnin	1.32	3.2	15	115	40 5/8	40 1/4	40 5/8	+5/8

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a–dividend also extra(s). b–annual rate of dividend plus stock dividend. c–liquidating dividend. cld–called. d–new yearly low. e–dividend declared or paid in preceding 12 months. g–dividend in Canadian funds, subject to 15% non-residence tax. i–dividend declared after split-up or stock dividend. j–dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k–dividend declared or paid this year, an accumulative issue with dividends in arrears. n–new issue in the past 52 weeks. The high-low range begins with the start of trading. nd–next day delivery. P/E–price-earnings ratio. r–dividend declared or paid in preceding 12 months, plus stock dividend. s–stock split. Dividends begins with date of split. sls–sales. t–dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u–new yearly high. v–trading halted. vi–in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd–distributed. wi–when issued. ww–with warrants. x–ex-dividend or ex-rights. xdis–ex-distribution. xw–without warrants. y–ex-dividend and sales in full. yld–yield. z–sales in full.

AMEX COMPOSITE PRICES

Prices at 2pm, April 8

Stock	Div	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							

OVER-THE-COUNTER

Nasdaq national market, 2pm prices

WE REGRET that this listing is incomplete due to computer problems.

Stock	Sales (Hnds)	High	Low	Last	Chng
[illegible]					

FINANCIAL TIMES
WORLD STOCK MARKETS

WALL STREET

Oil fuels wave of enthusiasm

FINANCIAL MARKETS surged ahead yesterday on a new wave of optimism over world oil prices and domestic interest rates, *writes Terry Byland in New York.*

Federal bonds gained 2½ points in early trading, driving long-dated yields down towards their lowest levels for the present cycle. The stock market soared, gaining nearly 30 Dow points before mid-session.

At 2pm, the Dow Jones industrial average was up 29.22 ahead at 1,764.73.

Turnover in stocks was not dramatically above recent levels, however and traders saw the rebound as a technical correction rather than an upturn in the market.

The rebound was broadly based, with the American Stock Exchange index sharply higher, reflecting gains in many second-line technology issues.

Confidence in the downward trend of oil prices was reconfirmed when crude oil futures fell sharply on the New York Mercantile Exchange. In Bahrain, US Vice President George Bush backed the White House line that oil prices must be left to free market forces. The Soviet Union was reported to have abandoned fixed-price oil contracts.

Also driving credit markets forward was renewed conviction that the Federal Reserve will soon cut its discount rate again. Speculation on the discount rate heightened when federal funds dipped to 7 per cent, without any sign of intervention by the Fed.

The NYSE market was led by strong upturns in the same blue chip stocks which have shown weakness recently. IBM at $151⅛ jumped $1⅝, General Motors gained $1⅜ to $82, Chrysler $½ to $41¼, Monsanto $1⅝ to $59⅝ and Merck $2 to $165½.

Bullishness was not checked by the opening of what is expected to be a season of weak quarterly results from US industry, which is unlikely yet to have seen the benefits of lower oil prices.

International Paper edged up $⅝ to $58⅜ and Mead Corporation $⅞ to $46⅞, despite lower earnings from both the leaders of the paper industry.

But among the leisure stocks, CBS eased $¼ to $137 after disclosing disappointing profit figures.

Pharmaceuticals benefited from a renewed downturn in the US currency, Bristol-Myers adding $1½ to $72⅝ and Abbott Laboratories $1¼ to $82¾.

Despite the drop in crude oil futures, the main US oil issues held fairly steady. At $55¼, Exxon was $¼ better and there was little selling of Atlantic Richfield, $⅜ lower at $53⅜, Mobil, down $⅜ at $29⅝. Chevron, after warning of distortions in first-quarter profits, was unchanged at $37½.

Airline stocks, traditionally the beneficiaries of lower oil prices, began to move ahead. American gained $1⅛ to $54⅜, and United $⅞ to $54⅛.

There was a rebound in General Electric, $1¾ higher at $74¾. Improvements among the defence-aerospace issues were headed by Boeing, up $1 at $55¼.

Grumman, the Long Island-based commercial vehicle and defence group, jumped $1 to $28½ after winning a $1.1bn contract for the US postal service.

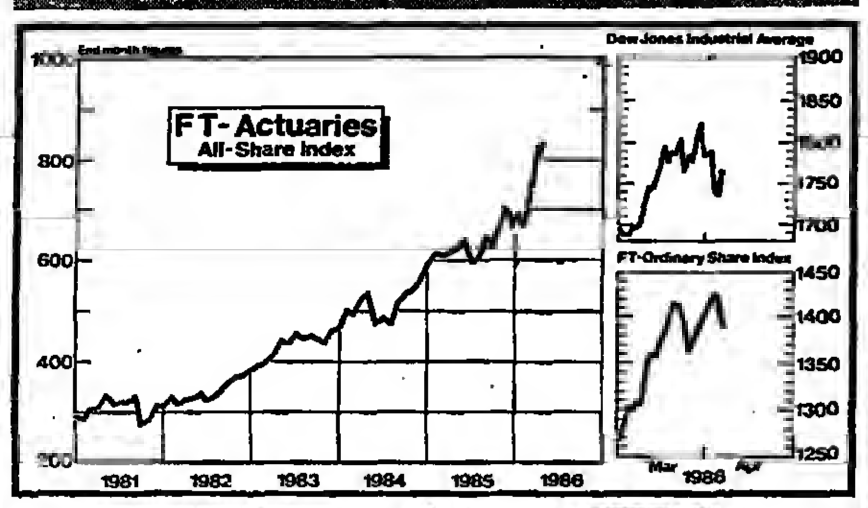
In computers, NCR, up $1½ at $44 and Digital Equipment, up $2 at $161¾ followed IBM's lead. Other major names looked hesitant; however, as Control Data fell $1⅛ to $22⅛ after its auditors qualified the accounts. Lacklustre performers included Honeywell, unchanged at $72, and Burroughs, $¼ firmer at $64⅞.

The NYSE active stocks list was headed by Genstar, down $1⅞ at $38⅞ as speculators piled out of the stock on hints that the Canadian authorities might block Imasco from acquiring Genstar.

In the credit markets, Treasury bill rates slid lower as the Fed failed to intervene at noon, its traditional time for signalling its views by means of market operations. The return on three-month Treasury bills fell to 6.11 per cent, the lowest level since rates began to fall five years ago.

Bonds also extended their early gains and the long yield was down to 7.41 per cent at midsession, challenging the low touched a fortnight ago.

KEY MARKET MONITORS



STOCK MARKET INDICES

	April 8	Previous	Year ago
NEW YORK			
DJ Industrials	1,764.73*	1,735.63	1,252.98
DJ Transport	788.15*	776.83	587.13
DJ Utilities	186.60*	185.27	154.39
S&P Composite	232.34*	228.63	178.04
LONDON			
FT Ord	1,388.1	1,400.9	955.9
FT-SE 100	1,675.7	1,688.5	1,270.2
FT-A All-share	818.36	822.45	612.14
FT-A 500	898.98	904.58	670.76
FT Gold mines	288.0	290.0	516.2
FT-A Long gilt	8.88	9.04	10.56
TOKYO			
Nikkei	15,014.06	15,061.98	12,636.0
Tokyo SE	1,203.49	1,205.97	987.65
AUSTRALIA			
All Ord.	1,148.3	1,148.5*	842.0
Metals & Mins.	543.9	545.6	544.4
AUSTRIA			
Credit Aktien	116.67	115.17	74.72
BELGIUM			
Belgian SE	3,623.30	3,662.89	2,279.17
CANADA	April 8	Prev	Year ago
Toronto			
Metals & Minls	2,261.7*	2,278.6	2,036.0
Composite	3,038.4*	3,029.8	2,599.5
Montreal			
Portfolio	1,567.97*	1,572.4	128.30
DENMARK			
SE	n/a	246.71	186.06
FRANCE			
CAC Gen	367.1	375.8	215.7
Ind. Tendance	142.7	144.3	76.4
WEST GERMANY			
FAZ-Aktien	721.17	712.01	412.99
Commerzbank	2,192.0	2,165.8	1,194.7
HONG KONG			
Hang Seng	1,727.93	1,691.60	1,471.25
ITALY			
Banca Comm.	678.49	717.97	265.11
NETHERLANDS			
ANP-CBS Gen	267.0	270.1	203.6
ANP-CBS Ind	253.0	256.5	164.1
NORWAY			
Oslo SE	352.18	355.99	313.36
SINGAPORE			
Straits Times	581.36	585.22	820.64
SOUTH AFRICA	Apr 8	Prev	Year Ago
JSE Golds	–	1,205.2	1,067.9
JSE Industrials	–	1,131.2	901.0
SPAIN			
Madrid SE	158.07	159.13	82.89
SWEDEN			
J & P	2,232.53	2,201.72	1,400.81
SWITZERLAND			
Swiss Bank Ind	600.1	599.5	416.4
WORLD	April 7	Prev	Year ago
MS Capital Int'l	296.9	298.0	200.3

COMMODITIES

(London)	April 8	Prev
Silver (spot fixing)	361.85p	360.15p
Copper (cash)	£967.50	£960.25
Coffee (May)	£2,276.00	£2,273.00
Oil (Brent blend)	$13.85	$14.00

GOLD (per ounce)

	April 8	Prev
London	$338.25	$338.75
Zürich	$340.75	$338.25
Paris (fixing)	$342.80	$337.26
Luxembourg	$338.00	$336.40
New York (June)	$340.60	$342.80

CURRENCIES

	US DOLLAR		STERLING	
(London)	April 8	Previous	April 8	Previous
$	–	–	1.47	1.4575
DM	2.3375	2.3935	3.435	3.4875
Yen	180.0	182.7	264.5	266.25
FFr	7.4425	7.6175	10.94	11.1025
SFr	1.975	2.012	2.9025	2.9325
Guilder	2.635	2.694	3.875	3.9275
Lira	1,600.0	1,635.5	2,352.0	2,383.75
BFr	47.6	48.8	69.95	71.1
C$	1.384	1.3835	2.0365	2.0315

INTEREST RATES

	April 8	Prev
Euro-currencies (3-month offered rate)		
£	10 7/16	11
SFr	4⅛	4⅜
DM	4⅝	4⅝
FFr	7 7/16	7⅝
FT London Interbank fixing (offered rate)		
3-month US$	7¼	7¼
6-month US$	7 3/16	7 5/16
US Fed Funds	7*	7 3/16
US 3-month CDs	6.60*	6.75
US 3-month T-bills	6.125*	6.24

US BONDS

Treasury	April 8* Price	Yield	Prev Price	Yield
7⅜ 1988	100 9/32	6.678	100 5/32	6.815
7¼ 1993	101¾	7.168	100¾	7.298
8¾ 1996	110 9/32	7.214	110¼	7.420
8¼ 2016	122⅝	7.41	120⅝	7.542

Treasury Index Maturity (years)	April 8* Return index	Day's change	Yield	Day's change
1–30	151.62	+0.94	7.29	–0.10
1–10	143.35	+0.46	7.13	–0.09
1–3	134.45	+0.21	6.90	–0.08
3–5	145.38	+0.41	7.22	–0.08
15–30	181.31	+2.70	7.81	–0.15

Source: Merrill Lynch

Corporate	April 8* Price	Yield	Prev Price	Yield
AT & T				
10⅜ June 1990	100¾	10.14	101⅜	9.85
3⅞ July 1990	89¾	8.77	89⅞	6.77
8¾ May 2000	99½	8.85	98	9.00
Xerox				
10⅞ Mar 1993	108.25	8.10	106½	8.04
Diamond Shamrock				
10¾ May 1993	102	10.10	102	10.10
Federated Dept Stores				
10¾ May 2013	109.82	9.60	111	9.48
Abbot Lab				
11.80 Feb 2013	111¾	10.50	111¾	10.50
Alcoa				
12¾ Dec 2012	110¾	10.99	111¼	10.94

Source: Salomon Brothers

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
US Treasury Bonds (CBT) 8% 32nds of 100%				
June	101-31	101-31	101-04	99-31
US Treasury Bills (IMM) $1m points of 100%				
June	94.35	94.36	94.28	94.22
Certificates of Deposit (IMM) $1m points of 100%				
June	93.57	93.57	93.57	93.45
LONDON				
Three-month Eurodollar $1m points of 100%				
June	93.27	93.28	93.18	93.15
20-year Notional Gilt £50,000 32nds of 100%				
June	128-06	128-18	127-10	128-15

* Latest available figures

EUROPE

Foreigners emerge as catalyst

FOREIGN INVESTORS acted as a catalyst on European bourses yesterday, boosting West Germany to another peak and forcing a second day of price pruning in France. Virtually every centre had a helping of corporate news to digest.

Frankfurt continued its record-breaking form amid a wave of company developments. Car makers and banks, the latter due to report this week, underpinned the rally and produced a 26.2 point rise in the Commerzbank index to 2,191.0.

Volkswagen remained a feature as speculation continued that Olivetti might buy its Triumph-Adler subsidiary. VW put on a further DM 11 to DM 636.

Daimler, thought likely to orchestrate a capital increase soon, also gained DM 11 to DM 1,420, while BMW managed a more dramatic DM 27.50 leap to DM 579.50.

Among banks, Deutsche Bank confounded early market reports that it would increase its dividend for 1985 by revealing an unchanged DM 12 payout ahead of this week's full results. West Germany's leading retail bank firmed DM 7 to DM 877.

Commerzbank added DM 2 to DM 343.50 on higher profit and dividend figures, while BHF's dividend boost from DM 10.50 to DM 12 a share resulted in a DM 5 gain in its bourse quotation to DM 549.

The bond market was revived by the plunge in the dollar, although the easier overnight close in the New York bond market failed to have much of an impact.

Prices rose by up to 50 basis points and the Bundesbank returned with a vengeance selling DM 189.6m worth of paper compared with a meagre purchase of DM 200,000 on Monday.

The return of foreigners to Paris had a less pleasant effect. Prices tumbled as profit-taking moved into higher gear and on fears that interest rates may not fall soon.

Oils managed to display some strength with Elf picking up FFr 9 to FFr 245 and Sceg weaker on Monday, recovered almost 7 per cent to FFr 123.50.

Profit-takers induced a painful hangover in Brussels as prices staged a broad retreat. Oils proved the exception.

Société Générale de Belgique dropped BFr 155 to BFr 2,940 amid plans to buy a 50 per cent stake in the New York investment bank Dillon Read.

Pressure on the dollar weighed heavily on Amsterdam, although trading remained relatively quiet.

Gist-Brocades lost Fl 7 to Fl 283.50 despite a healthy profits statement and Fokker fell Fl 2.30 to Fl 82.80 on reports that production of its new F-100 airliner was six months behind schedule.

Milan turned cautious in the wake of the Fiat rights issue. The transport group lost L225 to L12,400 and Olivetti gave up L120 to L15,980.

Stockholm managed yet another record-breaking session with institutional investors setting the pace. SKF, most active, rose SKr 2 to SKr 327 on details of a merger of its troubled steel subsidiary with Ovako, the Finnish special steels group.

A higher Zurich was partially aided by a dividend rise for Nestlé, which added SFr 40 to SFr 8,950. Oslo and Madrid eased.

SOUTH AFRICA

A FIRMER local currency depressed gains in Johannesburg but golds ended higher, although off their peaks of the day.

Vaal Reefs put on R1.50 to R219.50, while Konross lost 50 cents to R44. Buffels was steady at R73.50 and Driefontein shed 50 cents to R53.

News that De Beers is to raise its rough gem price by 7.5 per cent pushed it 70 cents higher to R24.

TOKYO

Economic plans fail to excite

A WAVE OF small-lot selling drove share prices lower in Tokyo yesterday, despite the Government's announcement of a package of economic measures to buoy the Japanese economy, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei average finished at 15,014.06, down 47.92 from the previous day, after losing 84 points to slip below 15,000 at one stage. Volume totalled 398.97m shares compared with Monday's 386.11m. Gainers outnumbered losers by a narrow margin of 420 to 416, with 128 issues unchanged.

The Government adopted a seven-point package at yesterday's meeting of the Ministerial Council on Economic Measures which calls for, among other things, the concentration of public works in the first half (April-September) of this fiscal year and the return of windfall profits which electric power and gas firms have enjoyed because of the strong yen and lower crude oil prices.

The news failed to make a favourable impact on the stock market, as investors had already made anticipatory moves.

Despite evident uncertainty in trading, many investors sounded bullish about the market's future direction, saying it would continue to see an inflow of surplus funds.

On the trading floor, leading domestic demand-oriented stocks, such as Mitsubishi Estate and Tokyo Electric Power, lost strength.

Asset-heavy Mitsubishi Estate came under heavy profit-taking pressure, shedding Y110 to Y1,720. Nippon Express fell Y15 to Y767.

Large-capital shipbuildings, electric powers and gases lost popularity, with Mitsubishi Heavy Industries dropping Y12 to Y377, Tokyo Gas Y14 to Y362 and Tokyo Electric Power Y120 to Y3,420.

Penta-Ocean Construction, which had attracted buying interest on investor anticipation of the domestic demand-boosting package, plunged Y33 to Y585 amid profit-taking. The issue was the second busiest with 8.18m shares changing hands. Ohbayashi fell Y18 to Y560 and Kajima Y18 to Y712.

Conversely, blue chip electricals and precision instruments firmed, supported by buying from investment trusts. Oki Electric topped the active list with 10.91m shares traded, gaining Y25 to Y710. Fuji Electric added Y9 to Y399, Matsushita Electric Industrial Y30 to Y1,550, Hitachi Y12 to Y635 and Olympus Optical Y60 to Y1,200.

High-priced and speculative issues were also on a steady note. Kokusai Denshin Denwa (KDD) soared Y1,480 to Y31,480, Fanuc Y210 to Y7,750 and Secom Y190 to Y6,590. Showa Aluminum advanced Y27 to Y393 and Sankyo Aluminium Y46 to Y757.

Despite the popularity of blue chips, securities houses believe that the severe export environment has deterred investors from enthusiastic purchasing. Yesterday's strong buying of blue chips was apparently aimed at short-term capital gains because leading shares were faring poorly, they said.

Bond prices fell, affected by a sharp drop on the bond futures market. The yield on the 6.2 per cent government bond, maturing in July 1995, rose to 4.735 per cent from the previous day's 4.695 per cent.

HONG KONG

STRONG BUYING from overseas institutions contributed to another rally in Hong Kong yesterday and pushed the Hang Seng index through the 1,700 barrier.

At the end of this second consecutive higher session, the Hong Kong index stood at 1,073.82, up 22.99, while the Hang Seng index shot up 36.33 to 1,727.93.

Property issues were again sought after with Cheung Kong 50 cents higher at HK$20.20 and Hongkong Wharf up 40 cents at HK$6.90.

Swire Pacific was most actively traded ahead of the flotation of its Cathay Pacific subsidiary. It rose HK$1 to HK$37.50, while Hutchison Whampoa added 90 cents to HK$26.90 and Jardine 10 cents to HK$12.80.

SINGAPORE

A LACK OF any clear direction left Singapore mixed as investors seemed reluctant to enter into the market.

Worries over the state of the stockbroking industry and political uncertainty in east Malaysia continued to overshadow trading.

The Straits Times industrial index shed 3.86 to 581.36 with advances outnumbering declines 70 to 48.

Raleigh topped the active list on turnover of 618,000 shares. It rose 6 cents to S$1.80. Also busy was TDM up 2 cents at S$1.18 and Wannian Holdings 1 cent higher at 30 cents.

LONDON

Base rate cuts offset by ICI

EARLY strength in London gave way to late easiness on speculation that ICI might be planning a large rights issue in order to finance an acquisition, which many thought could be pharmaceutical leader Beecham.

The FT-SE 100, up 13.3 at one stage, slipped back to finish 12.8 down at 1,675.7, while the FT ordinary share index shed 12.8 to 1,388.1.

Prospects of cheaper money following a cut in bank base rates from 11½ to 11 per cent provided the initial brightness.

W.H. Smith, the newsagent chain, lost 20p to 336p after paying £48m for the records and tapes group Our Price, 73p higher at 648p.

Gilts rose with longs posting gains of around 2½ points.

Chief price changes, Page 35; Details, Page 34; Share information service, Pages 32–33.

AUSTRALIA

THE EASIER trend continued in Sydney yesterday and the All Ordinaries index shed 0.6 to 1,147.9.

BHP was quiet at A$6.58. Bell Resources, which has bid for part of the industrial group, added 5 cents to A$4.85 and parent company Bell Group rose 10 cents to A$7.40.

In the mining sector, CRA put on 2 cents to A$6.78 while Western Mining was steady at A$3.45 as a dispute at its nickel operation at Kambalda, Western Australia, spread to a smelter and gold mine.

CANADA

A HIGHER TREND developed in Toronto in early trading yesterday as Wall Street turned higher.

Speculation of a cut in the US discount rate assisted the advance among banks with Nova Scotia C$¼ higher at C$14¼, Royal Bank up a similar amount at C$32 and National C$⅛ stronger at C$27⅞.

Genstar dropped C$1⅞ to C$54½ after a parliamentary committee recommended the federal Government to block Imasco's proposed takeover of Genstar.

SECTION III

FINANCIAL TIMES SURVEY

South Korea

Economic progress has brought developed nation status within reach. A stern test of the country's political maturity will come, however, in 1988 when President Chun has promised to step down.

Ready for a major role on the world stage

By STEVEN BUTLER in Seoul

THE EMERGENCE of South Korea as a developed nation and as a mature member of the world community is now within sight, and the *anxiety and anticipation* are palpable.

That watershed is symbolised by 1988 — and the countdown has begun.

In 1988 President Chun Doo-Hwan promises to step aside to make way for the first peaceful transfer of presidential power in Korea's history. Yet what lies after is shrouded in uncertainty. The political opposition has found its voice and is pushing hard for democratic reforms at a pace far beyond what the Government will allow.

The year 1988 will mark a coming out for the nation in another respect. The Seoul Olympics will draw international attention to Korea in a way it has never known. An intense awareness that Korea is putting itself on display affects almost every government decision and the government now cites the Olympics as a reason to postpone political debate.

Lying behind both of these events is a broader trend of history that now appears unstoppable. The recent upturn in the world economy has dramatically boosted the outlook for Korea's economic development. The years of good growth that promise to lie ahead will give Korea the means to correct basic structural weaknesses in the economy, giving it the resilience to absorb shocks that even a few months ago would have sent it reeling and caused severe damage.

The day is now in sight when Korea will become a fully industrialised nation, a member of the economic big-leagues, with an economy that is large, complex, and dynamic across a range of industries from textiles to automobiles, from high-tech electronics to aircraft production.

Nothing illustrates Korea's rise as a nation better than the arrival in London this week of the South Korean President, on the first ever official visit to Europe by a Korean head of state. The visit had been sought by both sides for several years in recognition of an important development — Korea has gradually become an independent worldwide actor and is no longer simply an appendage to the security concerns of Japan and the US.

Rapidly rising trade, of course, has provided the main impetus for expanding relations with the EEC. Bilateral trade in recent years has expanded by over 9 per cent annually, to reach about $6bn. Korea has become the world's 15th largest trading nation.

It is now recognised that as the Korean economy becomes larger and more sophisticated, the opportunities for trade and co-operation with the EEC will expand even faster, and that the historic and geographic factors that tied Korea to Asia and North America are becoming obsolete.

This is a remarkable achievement for a nation that was utterly destroyed by war 35 years ago, and whose tragic division arbitrarily robbed the south of virtually all natural resources and industrial facilities. It was left with nothing but native wit and sheer determination. Yet these have served Korea incredibly well.

Development hardly came overnight. The economy floundered dangerously for a decade after the Korean war, when the government finally accepted failure over import substitution. Instead, taking advantage of a cheap, highly-motivated labour force, the government promoted high-volume exports to lead economic growth. Korea became a trading nation par excellence, with an export volume that currently exceeds 35 per cent of the gross national product.

The results speak for themselves. The economy expanded by 8.4 per cent annually between 1962 and 1984. Now, with several years of good growth almost certain for the world economy, Korea should finally be able to resolve the structural weaknesses left over from the days of high inflation and expensive energy during the last decade—the chronic trade and current accounts deficits, low rates of savings, the worrisome growth of foreign debt, which reached $46.7bn. last year, and the sometimes dangerous gearing of its large companies. The stage is now being set for sustained growth that will make Korea a fully developed nation.

And yet, with the prize so close at hand, anxiety about the future has never been greater, as though a horrible twist of fate will snatch it away.

In about five years South Korea will be able to close the military gap with North Korea, riding on the strength of its vastly superior economic growth. Yet, until then, North Korea will continue to enjoy a marked advantage in troop strength, tanks, armoured vehicles and artillery.

North Korea has recently completed a massive forward redeployment of troops, reducing reliable early warning time for an attack from several days to several hours. Its low flying aircraft, helicopters, and small submarines could place thousands of troops behind South Korean lines, and there is little that can stop it.

Military strength

It has acquired new offensive weaponry from the Soviet Union—Mig-23 aircraft and Scud-8 missiles that can strike Seoul from Pyongyang.

If North Korea wishes to impose a military solution to the Korean conflict, it has only until the end of the decade to try, after which it will be faced with an enemy whose strength will surpass it and pull farther ahead each year. It would also keenly like to deny South Korea the international prestige that comes from hosting the Olympics.

North Korea itself must now be calculating the risks of South Korea being able to march north in just a few years. The communist state now has the ability to launch a blitzkrieg war that could destroy a horrifying amount of what South Korea has achieved. While the outcome of a war in Korea would by no means be certain victory, by any measure, for North Korea, Pyongyang has acted in desperation before.

This threat adds to the tension of South Korean politics. Mr Lee Ki-Baek, the defence minister, recently issued a powerful and eloquent appeal

CONTINUED ON PAGE 12

● SOUTH KOREA'S PRESIDENT CHUN: his country aims to become a world exporter in such industrial sectors as electronics and motor vehicles

ON OTHER PAGES

● *Photographs by Glyn Genin and Hugh Routledge*

Popularity eludes the President

Political scene

STEVEN BUTLER

SOON AFTER ex-President Ferdioand Marcos fled Manila, e peck of hungry journalists descended nn Seoul and eagerly reported nppnsitinn prnnnuncements that South Korea would become the next Philippioes, with the government hrought to its knees in e display nf people's power.

The government bristled at the Idea, and with good reason. Eveo the wildest unsupported charges of corruption io Korea pale beside what is known to have happened in the Philippines. By most standards, Korea has clearly had good governmeot in recent years, providing fnr stability and stunning economic advances that have visibly improved the lives of nearly every Korean.

Yet, the parallel with the Philippines has foundation. Even seninr government officials ruefully admit nnw that Kores's deep political divisions have not healed in the six years since Mr Chun Doo-Hwan, the President, came to pnwer. Knrea still lacks any consensus about the mnst fundamental questions of its political institutions.

That division flared into open conflict recently as the opposition pressed forward with a signature campaign to revise the constitution, in order to allow for a direct election of the Presideot. The Government used massive police force to derail the campaign in mid-February, raiding and blockading opposition offices, and at one point placing some 200 opposition leaders under temporary house arrest to prevent them from attending meetings. The Government has since backed off and is trying to project a more conciliatory stance.

Mr Chun's inability to win broader political support has puzzled many foreign visitors to Korea. Surely there are few heads of state in the world who receive so little credit from their own people for such an impressive slate nf achievements.

Mr Chun took the helm nf state wheo Korea was in its worst economic crisis in 20 years. The crew of economists that he recruited into the Government has engineered a remarkable turnabout. The President, with the powers of state heevily concentrated in his office, provided the political clout needed to back a set of policies that proved unpopular in virtually every sector of society. Today, few would question the wisdom of those policies.

Mr Chun has also followed an active course of foreign diplomacy that has vastly raised South Korea's international profile. This success has been aided by developments outside of Korea — the opening of China, and the rise of sympathetic conservative leaders in Japan and the US. Mr Chun has retrained an instinctive anti-Communism born from years in the Korean military and has taken steps to promote trade and cultural exchanges with Communist nations.

The President revealed an extraordinary steady hand in October 1983 when a bomb blast in Rangoon, believed to have been initieted by North Korea, killed 15 of his senior advisors and cabinet officials, missing by just five minutes its main target—Mr Chun himself. Mr Chun quickly rebuilt his government and won international praise for restraining the impulse to take military reprisals against North Korea, which could easily have provoked a war.

Koreans who know the President personally describe him as a decisive man, and a quick learner. In private he can be informal and reflective, and can listen to criticism, although it is not clear how much he receives. He bas easily won the loyalty of those who have worked for him, and his inner eircle of advisers and supporters has been noticeably free nf internecine strife.

Yet, this image of a likeable, intelligent man has utterly failed to find its way through the government-controlled media. Instead, many Koreans complain that the government's sugar-sweet propaganda about the president is an insult to their intelligence, and there is growing resentment over clumsy government controls on the press. Koreans complain about a president whn eppears remote and autocratie and sometimes out of touch.

Heavy-handed

Many intellectuals bave turned against the government for its heavy-handed policies towards campus affairs. Professors' promotions will now be affected by their ability to prevent student demonstrations, something the professors feel is largely beyond their control. Many military men who found their way into the government come from poor farm families, and they have rubbed against Korea's traditional respect for educated, mandarin, elites.

One ruling party member admits the President continues to be unpopular because of the burden of his rise to power. On the night of December 12 1979, Mr Chun, who was a general in the army, seized control of army beadquarters in a shootout in Seoul. In May 1980 as protests grew against rising military infinence over the government, then-Gen Chun declared martial law and took over the government.

In the process several hundred people died. Mr Roh Tae-woo, a former general who played a key role in the coup and currently heads the ruling Democratic Justice Party, has said that the military had no desire to seize power. This was forced upon them by the chaos that erupted after the October 1979 assassination of President Park that ended 18 years of dictatorial rule.

This claim is hotly disputed by the opposition, which says the coup interrupted a healthy, if sometimes boisterous, process of democracy. The stains of blood have embittered many, making it impossible for them to accept Mr Chun as their President, but the opposition is now less concerned with Mr Chun's rule than the shape of the government that will follow.

Mr Chun has promised South Korea an historic first—a peaceful, constitutional transfer of presidential power when his term of office ends in 1988. Every other presidency in Korea has ended in assassination, mass uprising, or military coup. Increasingly, the opposition has accepted Mr Chun's repeated promises and most Koreans expect that he will leave office as the constitution he promulgated requires.

Yet, the opposition believes a fair election cannot be held under the current constitution and that Mr Chun will be able virtually to name his successor. They have vowed an all-out struggle to amend the constitution befnre the next election to allow for e direct presidential election.

Mr Chun has yet to budge. He says that establishment respect for law and a tradition nf peaceful transfer of power is far more important than instituting hasty democratic reforms, and in January be called for a moratorium on political debate until 1989—after his term of office expires, and after the 1988 Seoul Olympics. Mr Chun fears that a divisive debate on the constitution could lead to social unrest that would upset both these events.

The opposition sees in these arguments only e self-serving desire to maintain control over the succession process.

To allay these suspicious Mr Chun recently vowed that the ruling party would vouch for constitutional reform in 1989 "if the people wish," and that any DJP presidential candidate would promise to step down while in office to allow for new elections under a new constitution.

Meanwhile, the question of constitutional reform could be studied in the national assembly and in a special presidential commission, which would choose a presidential system, a cabinet system, or a dual executive system, with authority split between a president and a prime minister.

The opposition rejected Mr Chun's offer, calling it a trick and some now accuse him of planning to run for office again under a new constitotion.

Tha President's broadening of the debate beyond the question of the method of presidential election touched a sensitive nerve because the opposition itself is deeply divided on the question. Nothing has illustrated so plainly just how little political consensus Korea has, and nothing has thrown Korea's political future into greater confusion.

Just where the Korean people stand is still unclear. The results of last year's national assembly elections demonstrated that most people want political reform, but even some opposition leeders say privately they are willing to wait a few years if they can really achieve it. This clearly is not a sentiment that fuels the sort of mass demonstrations that brought down Marcos.

Still the anger is there and unpredictable events or miscalculation by the government could provoke it.

Of the two opposition leaders, Kim Dae-jung is the one more associated with a hard-line confrontational stance. When he returned from self-imposed exile in the US, his supporters crowded on to a Seoul street to welcome his airport bus

Brinkmanship game involves risks

Rise of the Opposition

STEVEN BUTLER

SOUTH KOREA'S opposition burst upon the political scene last year like a sudden storm, and the thunder continues to grow. The new Korea Democratic Party made unexpected gains in national elections in February 1985, and has pressed forward aggressively on what it sees as a mandate for democratic reform.

So far, it has achieved little beyond drawing widespread domestic and international attention to its cause, and there is little wonder at that. The party won nearly 30 per cent of the national vote, compared to the ruling Democratic Justice Party's 35 per cent. A system of bonus seats gave the DJP a majority in the assembly, and the NKDP does not have the votes to push anything through the legislature.

The party is also plagued by internal divisions — some based on personal factions and others on policy differences. Until recently the party's two main faction leaders, dissidents Kim Dae-jung and Kim Young-sam, controlled the party from the outside. Neither joined the party, Kim Dae-jung barred by the terms of a suspended sentence for sedition, and Kim Young-sam out of a show of solidarity.

A defection of 12 MPs from the party to form an independent new conservative club, however, forced a change. Recognising that the party faced a crisis, Kim Dae-jung gave his reluctant blessing so that his sometime-rival, sometime-ally Kim Young-sam could formally enter the party to give it backbone.

That has led to the opposition's stepped-up signature campaign for constitutional revision. Beset by internal problems and unable to press its case through institutional channels, the party turned to the public at large, where no one doubts, it still retains widespread support.

The opposition's cause has also been boosted by support from religious groups. The National Council of Churches and Stephen, Cardinal Kim Sou-wan, chief prelate of the Roman Catholic church in Korea, have come out publicly in favour of an early revision of the constitution. Christians account for over one quarter of the population and their ranks are growing rapidly.

The two Kims, especially Kim Dae-jung, have pushed the party into a hard-line, confrontational stance against the government. Some minor-faction leaders, and younger party members would be willing to accept half a loaf. They believe it possible to move gradually towards a fuller democracy in Korea—compromising with the government, building confidence and trust, and then pressing to move forward again.

Kim Dae-jung, the charismatic leader who returned from exile in the US one year ago, however, argues this strategy will fail, that the Government will use piecemeal compromises to its own propaganda advantage, continuously postponing meaningful reform. He points to an opposition sit-in in the national assembly building in January as a case point.

Assembly brawl

The opposition occupied the assembly to protest against detention warrants issued against seven opposition members in connection with an investigation into a brawl in the assembly in early December, when the ruling party passed the budget in a locked chamber without the opposition present.

Opposition MPs finally left the assembly and agreed to submit voluntarily to questioning after the ruling party agreed to seek a—political—settlement to the crisis. Several days later, however, the MPs were indicted, and, if convicted, they could lose their assembly seats.

Kim Dae-jung says the opposition should have followed his advice and held out in the assembly for a withdrawal of the warrants and a government promise of no indictments. If police stormed the national assembly in an attempt to enforce the warrants, so much the better for the negative publicity that would have rained down on the government.

The opposition's only real weapons are unfortunately based on confrontation—the ability to provoke the government into actions that heap international criticism on Korea, and its implied ability to provoke social unrest.

Opposition leaders say publicly that they oppose anti-government student demonstrations, which have become increasingly violent over the past year. Demonstrations have persisted despite the jailing of hundreds of student leaders. Opposition members have called on students to stay out of the campaign to revise the constitution, and many are genuinely horrified by the emergence among students of a hard core of Marxist radicals, something new for Korea.

Yet, opposition members admit that student demonstrations help them. The government has to take into account student reaction when it moves against the opposition, and the threat of broader trouble, some argue, could force the government to compromise with a more moderate alternative.

Still the opposition runs a risk that in playing brinkmanship it could touch off a chain of events that runs beyond its control. The coup that brought President Chun to power was not a conspiracy, but a collective action by senior, professional military officers. By all indications, the military continues to stand firmly behind the president and few doubt the ability of the army to restore order in a crisis.

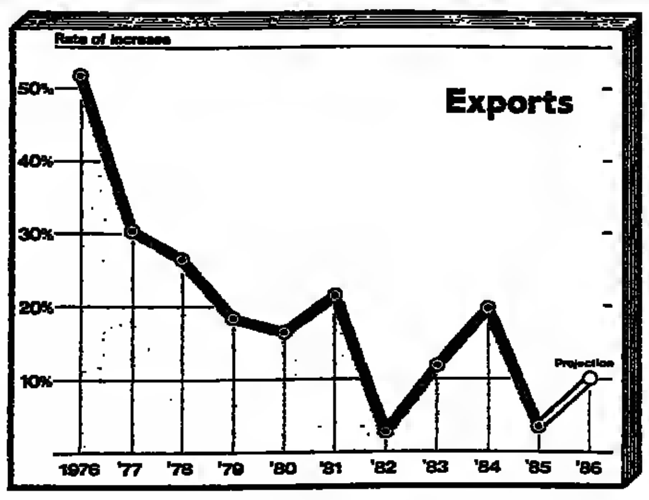
This stark reality has dimmed hopes of rapid reform in Korea, despite the opposition's euphoria over events in the Philippines. In January, a normally buoyant Kim Dae-jung appeared sombre. "This house is a kind of prison," he said. Police sometimes prevent him from leaving home, and when he does get out, he is never without his official watchers and handlers. He does not expect political freedom for years.

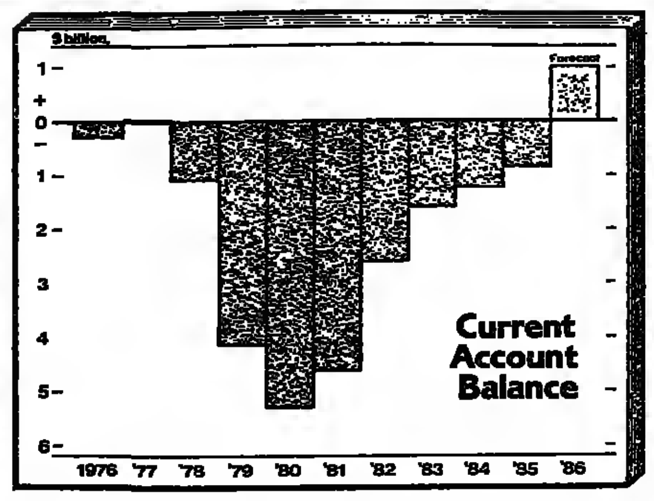
"The opposition does not have the ability to topple the government, or place the government into a position where it is difficult to continue," says one Korean political scientist. "They only have a vague idea of popular support."

"The government will not give in just because the opposition pushes harder," says another.

A combination of cheap oil, cheap money and the high-priced yen brings the prospect of a trade boom for several years ahead.

Suddenly the gloom has lifted





Economic scene

STEVEN BUTLER

GLOOM USHERED in 1986. Some forecasters had already resigned themselves to a second year of poor profits and rising unemployment. Newspapers openly ridiculed the Government's growth projections of 7 per cent for the year, based on a 10 per cent expansion in exports. Economic performance in 1985 had fallen below Government targets in every category.

Yet now, just months later, the gloom has vanished. An infectious enthusiasm has spilled into the stock market, where investors have fallen over each other bidding share prices to historic highs.

The reasons are simpla: cheap oil, cheap money, and the high price of the Japanesa yen. The three will combine to save Korea hundreds of millions of dollars on its trade and current accounts, and should rapidly boost overseas demand for Korean manufactured goods, particularly in Europe. Research organisations throughont Seoul are busily raising their growth projections for the year, with the Government now expecting 8 per cent.

The boom, which should continue for several years, means far more than just a run of good growth. That growth will provide the resources to correct fundamental structural problems that only a few months earlier had clouded the long-term ontlook for Korea's economy.

Korea is expected this year for the first time to register a trade surplus and to balance its current account, removing one of the principal ceuses of the worrisome increase in the country's foreign debt, which hit $46.7bn at the end of last year.

New resources

Several years of good corporate profits will give Korea the resources to pare down its bloated overseas construction industry, and to help banks write off bad debts that are measured in the billions of dollars. Government moves to restrict the expansion of highly leveraged big business groups, and boost a vibrant, flexible small and medium company sector will be far less painful.

"I think this is the best time for Korea to strengthen our industrial competitiveness," says Mr Kim Mahn-Je, who was appointed to the post of Deputy Prime Minister for Economic Planning in January. "Our indnstry, some of our light industries, need readjustment, need rationalisation."

Tha arithmetic for all this is plain. Sonth Korea's annual oil bill runs around $6bn, equivalent roughly to a quarter of all imports and some 9 per cent of the gross domestic product.

The Korea Institute of Economics and Technology has calculated that each $5 per barrel drop in the import price of oil improves the current account by $1.1bn through a combination of a rednced import bill and stimulated exports. This calculation takes into account the expected sharp fall-off in construction revenues from the Middle East.

Korea is shielded from the full benefits of the dramatic plunge in oil prices, because it signed long-term supply contracts in the early 1980s. Yet if international oil prices stabilise at $18 per barrel, as one Government projection indicates, Korea's current account in 1986 could end the year with a $1.2bn surplus.

Much of the country's $46.7bn debt is pegged to US prime or Euromarket rates. A one point decline in rates could save Korea $300m a year.

The topsy-turvy realignment of international exchange rates has a more complex, but distinctively positive, effect on Korea. In the short run, the trade deficit with Japan has shot up in dollar terms because of Korea's reliance on Japanese components and machinery for its own manufactured goods. The use of Japanese components in many export electronics means that prices of some items may have to go up, but not as quickly as those of its competitors in Japan.

Yet also in the short run, exports to Europe are mushrooming ahead as the Korean won falls in value with the dollar; and Korea should pick up market share against Japanese consumer electronics and automobiles in the US. In the first two months of the year, exports overall rose 38 per cent over the previous year.

Exports to Japan should rise, and the high price of Japanese componeots and semi-finished goods will stimulate Korea to search for those goods in Europe and the US. That should in time help to reduce imhalances and alleviate trade frictions.

The rise of prices for imported components should also speed up plans to foster a local import-substitution industry for components. Already, surveys of companles are showing sharply increased plans to invest in new manufacturing facilities, a trend spurred along by new tax incentives.

This could be the most welcome news of all. In real terms, new manufacturing investment this decade has never reached the peak hit in 1979, when business enthusiasm was fuelled by negative real interest rates.

With the hrakes applied hard on inflatioo by restricting the money supply, real interest rates have gone up sharply, leading businessmen to take a far more cautious attitude to investment, especially in recent years with export prospects uncertain. Now, despite the high rates, they are spending.

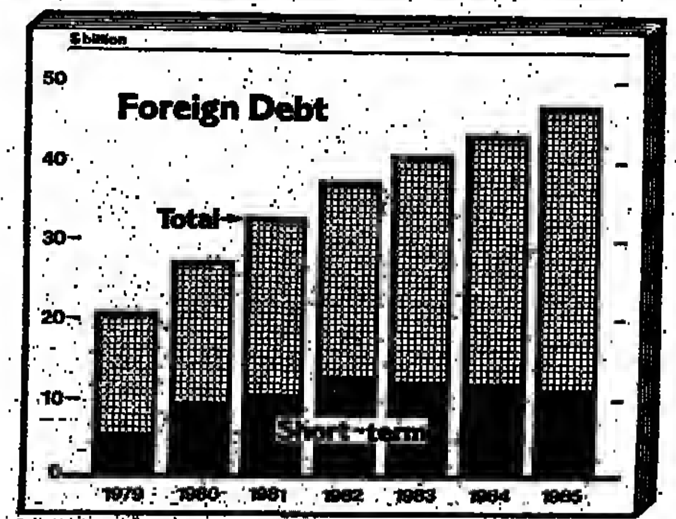
More strength

All of this dreamlike news has emboldened Government economists to pick up, and fight to the finish, the battle with a set of ecooomic moosters left over from the days of high inflation and excessive government involvement in the economy in the 1970s.

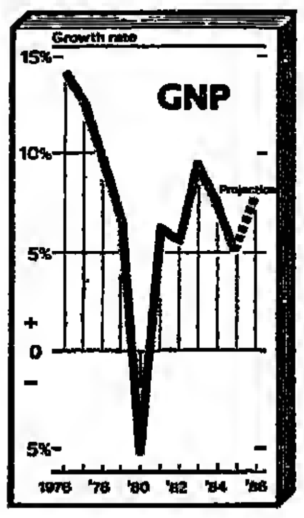
Mr Kim Mahn-Je has refused to bow to business pressures and lower interest rates sharply. Artificially reducing interest rates, be says, would inevitably roll back impressive recent gains made in boosting the national rate of savings, which he counts as one of his main achievements during his tenure as Finance Minister.

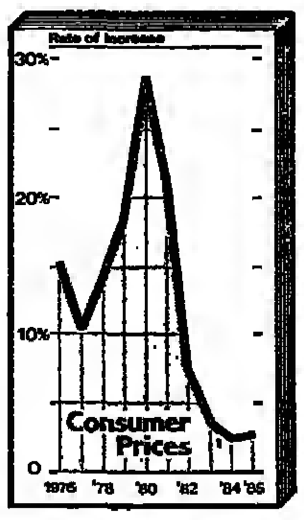
Business investment is now rising hy itself, and Mr Kim prefers to force companies into capital markets if they want to expand. Rather than sacrifice the financial system once again on the altar of short-term growth, Mr Kim, and the new Finance Minister, Mr Chung In-Yong, plan to decontrol interest rates by the early 1990s and put the financial system on a footing where it can stand without the constant stewardship of Governmeot regulators.

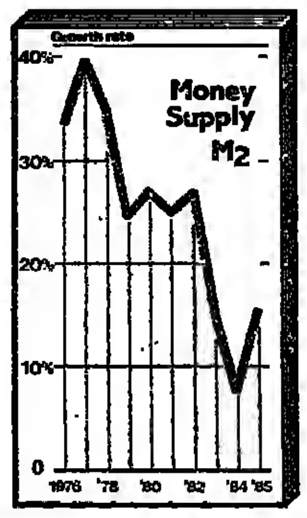
The prospects for moving ahead in Korea have rarely looked better, and the determination to take the bard measures to get there never stronger.



Throngs of shoppers in Myongdong, Seoul's busiest shopping district, reflect the relative affluency which South Korea's progress has brought to its people. The new economic boom will provide resources to correct structural problems which only a few months ago had clouded the long-term outlook for the country's economy







Profile: KIM MAHN-JE, Deputy Prime Minister

Keen industrial promoter

KOREA'S economic miracle has always been a child of the Government. And even though the Wunderkind is now reaching late adolescence, it is still very much a Korean youngster, with respect for authority part of a long Confucian tradition.

The new economic cabinet that President Chun appointed in January has it in mind to cut the child free, just a bit, but nothing too drastic. That, too, is properly Confucian.

"I would be dishonest if I said we will give up all promotional policies," says Mr Kim Mahn-Je, the new Deputy Prime Minister, who runs the powerful Economic Planning Board.

Mr Kim is stamped from a mould that has become very familiar in Korea. He is an academic economist with a Ph.D. from the University of Missouri, in the US. He headed the Korea Development Institute, a Government-funded economic think-tank, for 10 years before taking a short detour as President of a joint-venture commercial bank.

Growth faltered

As Minister of Finance since late 1983, he helped lay major pieces of the groundwork for a strengthened financial system. With inflation held low, the domestic savings rate has risen sharply. Money has cascaded out of secondary and underground markets into the banking system.

But growth also faltered last year, and Mr Kim has shifted his focus.

"We need to promote manufacturing investment, which has been slow in recent years," he says, "so we can hava sustained industrial growth."

He says with a laugh that he is now far less of an economist than he used to be—and that is obvious from a quick glance at the daily papers in Seoul. He has taken a public profile far more prominent than his predecessor, making public speeches, attending seminars and meetings almost daily.

He believes that part of the responsibility of his new job is to build a public consensus, and the business community has taken kindly to this attitude. He meets business leaders weekly to discuss policy.

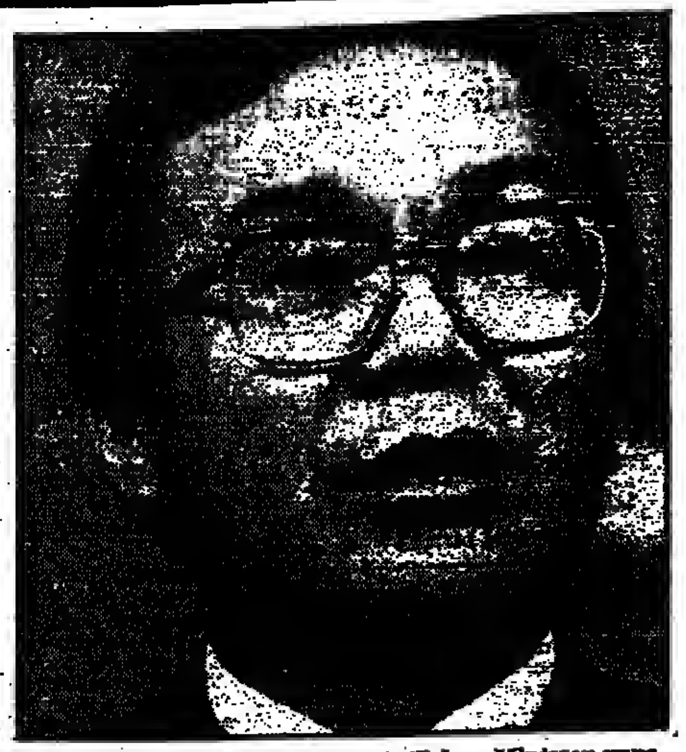
But this, clearly, is not a painful duty for the new Deputy Prime Minister. He is an enthusiastic man, who slips forward to the edge of his chair, gesturing with his hands to make a point, and he likes to laugh. He obviously enjoys his job.

He also has extraordinary luck, with the prospects for Korea's economy sharply improving since he took office due largely to external factors. But Mr Kim plans to turn his good fortune into an opportunity — a time to revamp Korea's industrial structure, and to push industry toward a higher plane of technology.

This, Mr Kim will do by promoting a new relationship between Government and the private sector. "It is more appropriate now to concentrate on technology, price mechanism and taxes instead of direct credit allocations to certain industries," he says.

"In the past five years, we have concentrated on emphasising stability programmes, always cutting down. Now is the right time for promotional policies."

Steven Butler



Kim Mahn-Je. The new Deputy Prime Minister runs the powerful Economic Planning Board. For 10 years, he headed the Korea Development Institute, a Government-funded think-tank.

Profile: CHUNG IN-YONG, Minister of Finance

Change of role for top civil servant

IF KIM Mahn-Je comes from one classic mould of Korea's top economic bureaucrats, then the new Finance Minister, Mr Chung In-Yong, comes from the other. Mr Chung is a professional civil servant who has spent 23 years working in the Ministry of Finance.

Following the footsteps of his father, he was recruited into the Government at a time when an official career still attracted the best and brightest graduates from Korea's top universities.

Times have changed. Now, the private sector can offer prestige and far more attractive salaries. But the loyal and enviably competent contribution of civil servants has been at least as important a factor in Korea's economic success as the stimulus of ideas-men like Kim Mahn-Je, who joined the Government from the outside.

Mr Chung rose through the ranks during a period when government dominated all aspects of economic management, and he believes government must continue to assume a heavy responsibility.

Speaking of the colossal failure last year of Kukje, Korea's seventh largest conglomerate at the time, he says: "When this kind of big company is involvad, particularly when involved in overseas transactions, then arrangements cannot be made without regarding Korea's reputation and creditworthiness in overseas markets, or without giving due consideration to social factors, unemployment, and related business transactions."

The collapse of Kukje, which had interests in everything from overseas construction to footwear, was prevented by massive injections of bank funds; although the group was split up and taken away from the company's former owners loans to the group's companies were guaranteed and most foreign banks promptly withdrew their funds.

Piqued

Mr Chung expects that foreign involvement in Korea's capital markets will continua to expand under his stewardship, as those markets continue to mature. He still worries about the market "overheating," however, and recent government moves to cool an explosive stock market rally provoked sharp criticism from those who say it is inconsistent with efforts to draw more companies into the stock market so they can improve their financial structure.

Mr Chung expects to see a gradual evolution in the role of foreign banks, although this is an issue about which Mr Chung is plainly piqued.

Foreign banks in Korea are pushing hard for greater access to local currency, at a time when their higher profitability, relative to Korean banks, has come under sharp public attack.

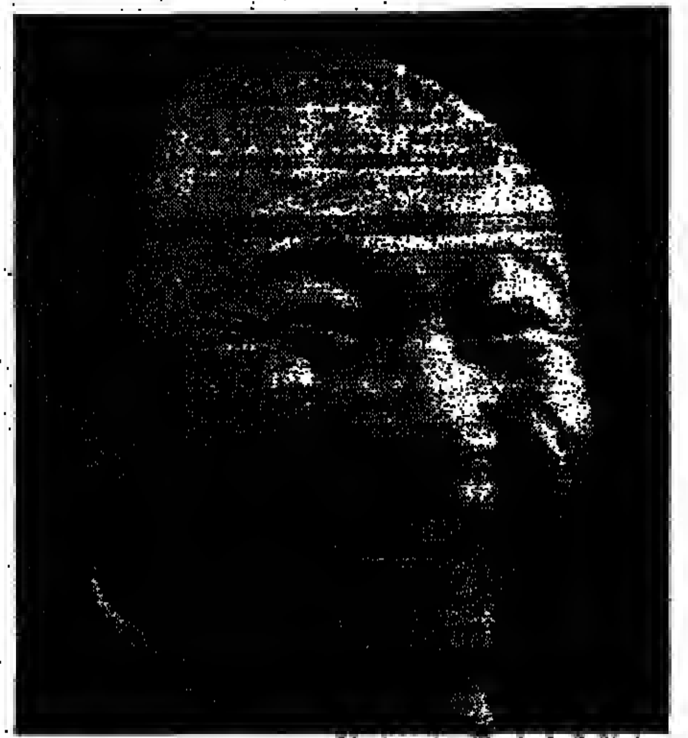
While foreign bankers admit that business is attractive in Korea, they say branch profit calculations do not take into proper account all costs.

"In how many countries in the world are central bank facilities open to foreign banks, except in advanced countries or international money centres?" Mr Chung asks. "In how many countries are foreign banks guaranteed profits and protected from exchange risks?" he asks, referring to guaranteed margins on currency swap transactions. "How many countries have no national employee requirements? So far, I don't see any foreign banks making a loss except in the first year of operation."

Mr Chung helped draft rules for foreign banks two decades ago, and he says the burning issues of the day have now been forgotten.

"In one or two years time, all of these issues will be solved," he says. "These will be solved, and then there will be more problems."

Steven Butler



Chung In-Yong. The new Finance Minister is a professional civil servant who has spent 23 years at the Ministry of Finance

Why the stock exchange rally 'looks more spice than meat'

Access limited for foreigners

Capital markets

CARLA RAPOPORT

KOREA'S CAPITAL markets are something like Korean food—long on seasoning and short on things to sink your teeth into. Even so, discovering a new cuisine can often be rewarding for those with a patient nature.

Korean capital markets remain highly regulated, and thus, artificial in many ways. Further, the Government's moves towards relaxing these regulations, while increasing in number, are often circuitous and difficult to anticipate.

Nonetheless, if the potential growth of Korea's capital markets could ba bottled and marketed, someone would become very rich. It is this potential which is giving the Korean stock market its spica and, as of early 1986, its aroma was close to overpowering.

After spluttering along for years in a no-man's land of very little growth, Korea's stock exchange took off in late 1985. By Spring, 1986, aven tha most seasoned index watchers were surprised by tha strength of the rally. W. I. Carr, the UK-based stockbrokers, predicted at the beginning of March that the Korean Composite Stock Index would top 200 by the year's end. When that mark was nearly exceeded by the and of the month, analysts had to think again.

Put into some context, however, the rally looks like more spice than meat. Enthusiasts can point out that Korea's market capitalisation had climbed from $6.2bn at the end of 1984 to just over $9bn in the second quarter of 1986.

Tougher-minded individuals would counter that $9bn will account for less than 10 per cent of Korea's GNP this year. (In Japan, market capitalisation was equal to about 60 per cent of GNP last year.) And while the market's average price earnings ratio has been climbing and the net yield falling those figures are an uninspiring 6.8 and 4.7 per cent respectively, as of the beginning of April.

But most importantly, for the foreigners, entrance to the Korean capital markets is strictly side-door only, at the moment. Indeed, at the end of last year, Korea moved into direct foreign investment backwards by allowing Samsung Electronics to issue a $20m convertible Eurodollar bond. Holders of these bonds will be allowed to convert them ino shares in late 1987, at which time, the Stock Exchange says, foreigners will be allowed direct, but limited, access to Korean shares.

Sensitive

Further, foreign investors had reason to be less than pleased with the sequence of events which preceded the Samsung issue. Trading at around Won 750 before the announcement, Samsung's shares nearly doubled in the weeks before the bond's terms were set. The issue was fully subscribed, but subsequent issuers are not likely to get a similar reception if the same sort of price ramp happens again.

Korean regulatory officials are quite sensitive about the volatility of the market. In essence, they are still seeking to regulate the stock market in an effort to have the best of both worlds. In a kind of chicken - and - egg situation, officials have tried to tempt more investors into the market by forcing companies to issue new shares or go public at par, not market, value.

Then, of course, few companies want to go public which in turn limits the amount of quality stocks available for investing and increases the volatility of the market.

In 1985, for example, only 11 companies went public, raising a total of 35bn Won, down from 81bn Won in 1985. At the end of 1985, only 342 companies were listed on the KSE and less than 1.8 per cent of the population held shares.

Despite the tiny number of institutional investors (pension, life and investment trust companies are limited by the government on how much they can invest in the stock market), nearly 90 per cent of the stocks are held by less than 10 per cent of the holders.

Ministry of Finance officials react somewhat defensively when these statistics are cited. On the issue of enlarging the market, MoF now says that 25 companies will go public this year, raising a total of 50bn Won. To this end, the Securities Supervisory Board, the Office of Bank Supervision and Examination and commercial banks will co-operate to urge suitable companies to go public.

"If the companies concerned decide not to go public, the banks will put restrictions on loans to them," says a senior official at one of Korea's largest investment trust companies.

And to make things easier for the companies, more will be allowed to issue shares at 25 to 50 per cent premium to their par values, according to MoF officials.

Further, the Government is seriously studying a privatisation programme. First on the list is expected to be Pohang Iron and Steel (Posco), Korea's largest and most profitable company, which is expected to go public in the second half of 1987.

In the meantime, new regulations are still being awaited on the introduction of investment advisory services, branch status for foreign securities firms, international information disclosure standards, and the related issues of bank interest rates and taxes.

Foreigners do, of course, have limited access to the KSE from five international trust funds and the Korea Fund, which is an investment vehicle whose shares are listed on the New York Stock Exchange. MoF officials say that a Korean Fund for European investors, to be listed on a European exchange, is expected by the end of this year.

Indeed, now that Korean investors themselves are showing an interest in the stock exchange, foreigners' appetites are growing. Most point out that local interest has been fuelled from a negative, rather than positive, point of view, as property is no longer the attraction it onec was and Korea's notorious curb, or unofficial lending, market has been tamed.

Nonetheless, most would still concur with a recent Baring International Investment Management Report, which says: "We believe that . . . the Korean Stock Market is one of the most exciting in Asia, especially for foreign investors."

Now, pass the meat.

Rise of the composite stock index

Month/year†	Composite stock index
December 1982	127.31
December 1983	121.21
December 1984	142.46
March 1985	136.46
June 1985	136.58
September 1985	138.91
December 1985	163.37
February 1986	178.00
March 1986	200.00

† Last day of month or year.
Source: Korean Stock Exchange.

Korea is looking beyond the Sea of Japan and the Pacific for new trade partners. The Government hopes the visit to Europe of President Chun, along with 30 businessmen, will give a lift to trade and technological relations

A new impetus for joint ventures

Trade with Europe

ANDREW FISHER

THE IMBALANCES in Korea's trade with the US and Japan are measured in billions of dollars, numbers which are making the country's businessmen, politicians, and economists increasingly nervous.

As Korea has striven for constant industrial growth, so its exporters have swarmed into the ever-inviting US market. They have sold textiles, shoes, and a whole host of other consumer goods to price-conscious Americans. Recently they have entered the market for more advanced prodncts such as video casette recorders and cars.

The result was a trade surplus of $4.2bn in Korea's favour last year, accompanied by a swelling volume of calls fur curbs on the inflow of Far Eastern goods. Korea's neighbour, Japan, is also on the receiving end of US trade criticism.

But for the Koreans, Japan is the major source of imports, providing much of the machinery and technology behind its export surge into the US. Last year, Korea's trade deficit with Japan was $3bn. As with the surplus in its US trade, Korea has become uneasily aware that this is just too much.

Wider markets

So Korea is now looking beyond the Sea of Japan and the Pacific for other trade partners. Its trade with Europe is already sizeable, but nowhere near the volume reached with both Japan and North America.

The Government is hoping that the current visit to Europe of its President, along with Ministers and some 30 businessmen from leading Korean companies, will give trade and technological relations between the two areas a new impetus.

It is not, however, simply a case of Korea seeking to widen its market and thus ward off criticism from the US and reduce dependence on Japan, important though these considerations are.

In seeking to develop its industries beyond the labour-intensive stage and to put itself several steps ahead of its non-Japanese neighbours, Korea is keen to encourage European investment, joint ventures, and technology exchanges.

"Until now," says Mr Kim Mahn-Je, the Deputy Prime Minister, "our trade has been lopsided." The emphasis on the US and Japan has been far more marked than in the case of Taiwan and Hong Kong, two equally vigorous, though much smaller, economies. Both trade heavily with European countries.

"We are missing these potential opportunities for trade with Europe to the benefit of both sides," notes Mr Kim. "Now that we are reaching the stage of more sophistication, we can see the greater technological importance of trade with Europe."

Korea's trade with the EEC last year totalled $6.1bn, less than the volume of the country's imports from the US of $6.5bn (against Korean exports there of nearly $11bn) and from Japan of $7.5bn (against Korean exports of $4.5bn). The EEC trade was nearly in balance, with Korean exports of $3.2bn and imports of $2.9bn.

The recent strength of the yen has made Korean goods mnch more competitive against those from Japan. But the higher cost of imports offsets a good deal of this advantage. Hence the increased Korean desire to buy from Europe.

In the EEC, the country's biggest trade partner is West Germany. Korea buys machine tools, chemicals, precision instruments, packing machinery and trucks, and sells mainly electronic products, leather, and textiles.

Korean imports from Germany have grown sharply at around 20 per cent a year in 1984 and 1985 to reach $960m, with its exports up 6 per cent last year (after 19 per cent in 1984) to $980m. As in other markets, Korea has come up against strong resentment from textile companies who complain that trade is too one-sided in Korea's favour.

Selling into Europe will prove a lot more taxing for Korea than has the US market. European countries differ in language, culture and taste, and, while the total market is large, it is highly fragmented. Thus, Korean exporters bave to be more flexible, dealing in smaller amounts and becoming more specialised.

This fits in with the Korean Government's desire that the country should move up the industrial and technological scale. With its growing emphasis on the contribution that small- and medium-sized companies can make on economic development, Korea sees a clear future in Europe.

But there is a long way to go. Whereas, Korea last year drew over 22 per cent of its imports from the US and 25 per cent from Japan, only 9 per cent came from the EEC. As for exports, the EEC took only 11 per cent compared with the 36 per cent going to the US and 16 per cent to Japan.

Many Europeans have only a hazy idea of Korea and its economy, vaguely perceiving it as a second Japan, equally threatening in trade terms and operating at even lower cost. Labour is certainly cheaper, and Korea has, like its neighbour, come to exercise a dominant position in such heavy industries as steel and shipbuilding.

Many European owners have turned to the big, new Korean yards for their ships. Korean shipbuilders have also bought mnch marine equipment from Europe, though most comes from Japan.

Opportunities

The Seoul government hopes that the official visit to Europe this month will be educational as well as useful for both sides. At present, Korea's trade share of European markets is under 1 per cent, and ministers are eager that this should be boosted.

They do not want Europe to look on Korea as a younger version, in economic terms, of Japan. For historical reasons, Korea and Japan are by no means the closest of friends. Korea has been painfully under the thumb of its neighbour too often.

In the field of business, Koreans are tough—some would say stubborn — negotiators. "They are less willing than the Japanese to compromise," says Mr Peter Bialas, a director of the Korean-German Chamber of Commerce and Industry in Seoul. "Koreans are not so sophisticated, but this is changing. There is a new generation of people who know the Western mentality."

A number of European ventures have been set up in Korea and more companies are looking around for opportunities. Two things are important in setting up a joint venture, stress those who have done so: finding the right partner; and settling down for the long term. While Koreans may be looking for a quick profit, the foreign partner is ill-advised to do the same.

And for all the famed work ethic, with Koreans working long hours and taking minimal holidays, there are inefficiencies. The retail and transport networks are under-developed, the financial system is often inadequate for business needs, and lack of warehousing space causes headaches.

But with a population of some 40m people, Korea's own consumer market will provide opportunities for outsiders to do business. Many top European companies are represented in Korea, such as British Petroleum and Unilever from the UK, and Bayer, Hoechst, BASF and Siemens from Germany.

Joint venture investments from Germany, France, and the UK now total some $40m each. EEC companies represented in Korea have formed an EEC Business Group to co-ordinate their views and put these across to the Government in an attempt to counter the dominance of the US and Japan.

Clearly, Korean trade will continue to be dominated for many years by Japan and the US. "The Japan-Korea trade imbalance has been inevitable in our rapid growth," says Mr Man-Soon Chang, director-general of the European Affairs Bureau in the Ministry of Foreign Affairs.

Koreans have found it convenient to use technology from nearby Japan, a country they know, though have not always seen eye to eye with. And the US, a powerful supporter during the Korean War in the 1950s, has been an obvious market.

But, says Mr Chang, "this year is the year of Europe for us." UK Prime Minister Mrs Thatcher) will visit Korea on her way to the Tokyo economic summit in May. Korea is keen for Europeans to understand that it still regards itself as a developing country, though a fast-moving one, but differs from Japan in important ways. It has a $45bn foreign debt, spends about 6 per ceot of its GNP on defence, and is the capitalist half of a divided country.

On a practical level, the government in Seoul has been trying to ease the bureancratic hindrance to doing business and to widen the market for foreign banks. It has also been liberalising imports, though tariffs on some goods remain high. The rest is up to the businessmen.

Refrigerator engines being assembled at a plant in the Samsung group, one of South Korea's biggest industrial concerns. The country's dominant trading partners are the US and Japan.

Sources of information for business visitors

HERE ARE the addresses of 15 organisations in Seoul where overseas visitors can obtain further information on business with Korea:

Association of Foreign Trading Agents of Korea (AFTAK), 45-14 Yoido-dong, Yungdung po-ku, Seoul.

Bank of Korea, 110, 3-ka Namdaemnn-ro, Chung-ku, Seoul (tel: 7778611; tx 2232).

Economic Planning Board (EPD), Foreign Investment Promotion Division, 82-1 Sejong-ro, Chongro-ku, Seoul (tel: 7203101).

Export-Import Bank of Korea, PO Box Central 4009, Seoul (tel: 7783950/9).

Federation of Korean Industries, 28th Floor, Samilro Building, 10 Kwanchul-dong, Chongro-ku, Seoul (tel: 7830821).

Japanese Chamber of Commerce, 111 Sokong-dong, Chung-ku, Seoul (tel: 286672).

Korea Advertising Association, 145 Seolin-dong, Jongro-ku, Seoul.

Korea Broadcasting Ethics Committee, 76, 1-ga Taepong-ro, Chung-ku, Seoul.

Korea Chamber of Commerce and Industry (KCCl), 111 Sokong-dong, Chung-ku, Seoul (tel: 7773031/42).

Korean Broadcasting Association, 76, 1-st Taepong-ro, Seoul.

Korean Exhibition Center, 65 Samsung-dong, Gangnam-ku, Seoul.

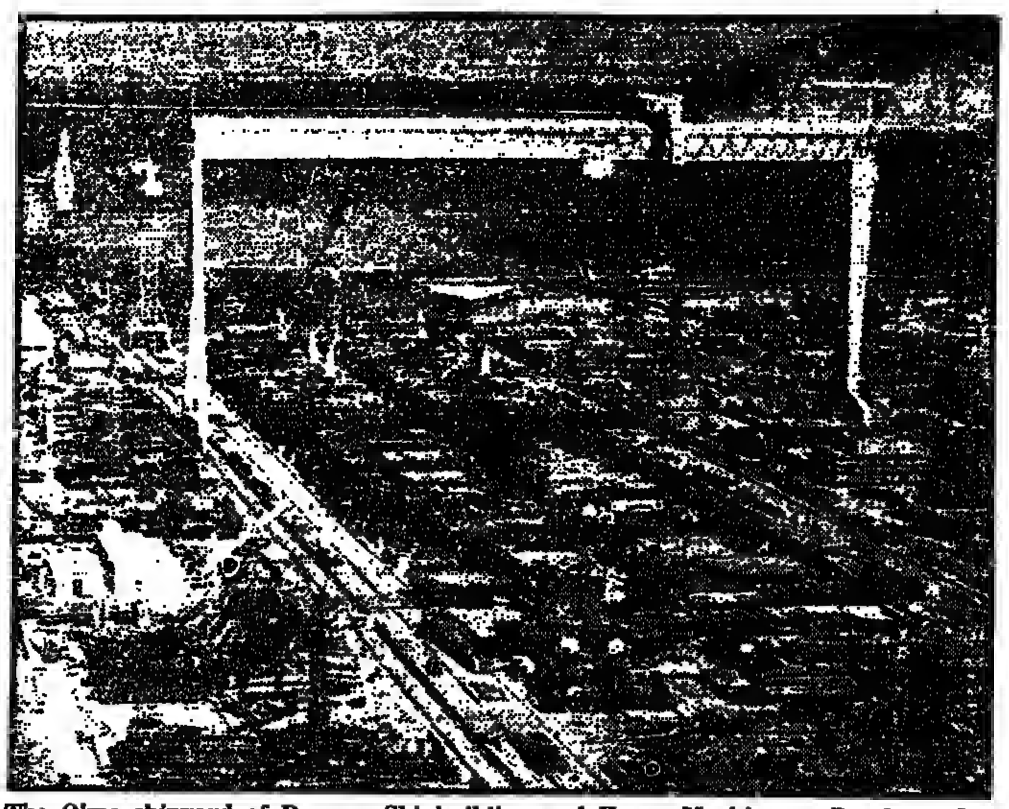
Korean Trade Promotion Corporation (KOTRA), PO Box Central 1621 10-1, 2-ka Hoehyun-dong, Chung-ku, Seoul (tel: 7534181/9; tx: 23659 KOTRA K, 27326 K; cable: KOTRA SEOUL).

Korean Traders' Association (KTA), World Trade Centre, Korea Building, 10-1, 2-ka Hoehyun-dong, Chung-ku, Seoul (tx: 24265).

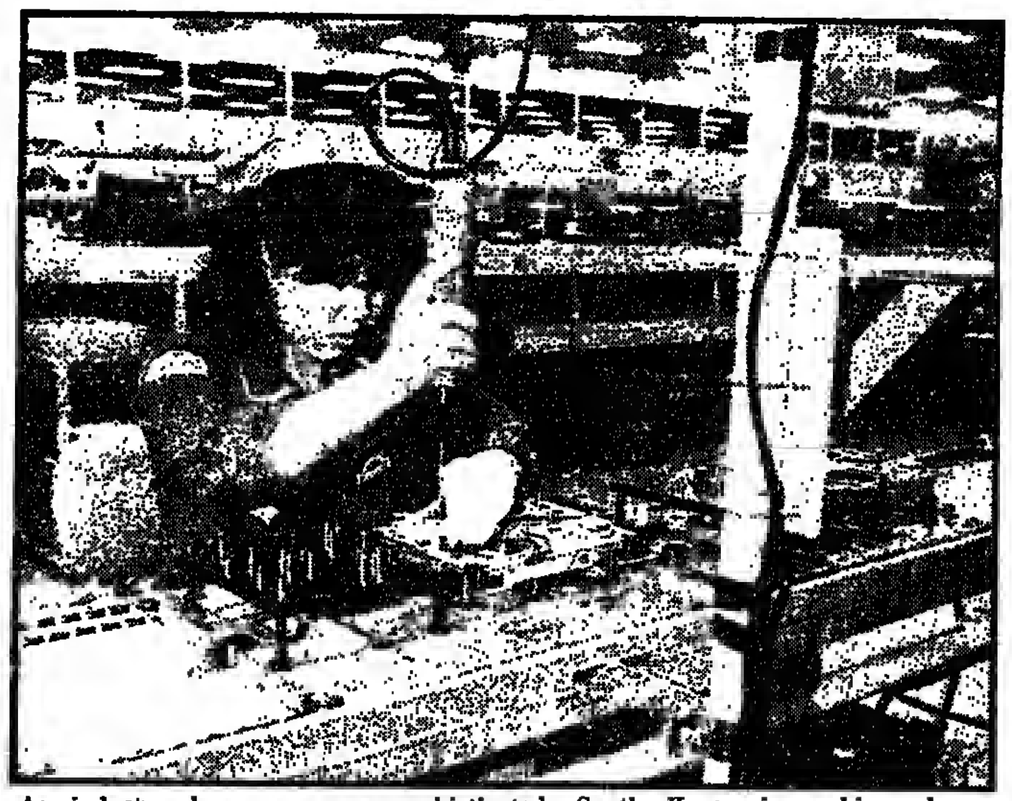
Ministry of Finance (MOF), 108-4 Soosong-dong, Chongro-ku, Seoul.

Ministry of Trade and Industry (MTI), 77-6 Sejong-ro, Chongro-ku, Seoul.

Seoul Chamber of Commerce and Industry, PO Box Ceotral 25, 111 Sokong-dong, Chung-ku, Seoul (tel: 7778031).



The Okpo shipyard of Daewoo Shipbuilding and Heavy Machinery. By the end of last year, the Korean shipping industry had sold some 520,000 tons of old and uneconomic vessels, the target being 976,000 tons (90 ships) by the end of 1987



As industry becomes more sophisticated, South Korea is seeking closer technological links with Europe. Above, an operative at work on a VCR production line, near Seoul

The South Korean Government is seeking to nurture more small-to-medium-sized companies in such areas as electronics and component manufacturing.

Development baton passes to second tier companies

Industrial restructuring

ANDREW FISHER

ECONOMIC AGILITY rather than mere size and strength is what Korea's policymakers and advisers are now striving for, as the country continues to advance up the industrial scalo.

Reliance on the production and export thrust of the big groups such as Hyundai, Daewoo, Samsung and Lucky-Goldstar is no longer seen as enough, if Korea is to cope with the disarray in several major industries, increasing protectionist outcries from the US, and competition from choeper Asian neighbours.

Not that Korea has given up on the big companies, known as chaobol. They, after all, are one of the country's main economic strengths. But the government is keen to nurture more small-and-medium-sized companies in such fields as olectronics and component manufacture.

Technical bite

The government has expressed such sentiments before, and little has come of it. This time, though, with tho yen's strength weakening Japan's competitive edge and lower oil prices giving the Korean economy a timely boost, the determination to help new entrepreneurs seems stronger.

Along with this goes the desire to give industry rather more technological bite by oncouraging research and development spending and reducing dependence on outside technologies, notably from Japan, with which Korea has a huge trade deficit.

"We're reaching the stage of more sopbistication," says Mr Kim Mahn-Je, Deputy Prime Minister and bead of the Economic Planning Board. Greater investment, a shift away from labour-intensive sectors, and more trade and scientific links with Europe are all part of Korea's strategy for outdistancing its Asian competitors.

Even in traditional areas such as textiles and shoes, the Government and industry are trying to modernise production and put more stress on design and quality. "China is catching up and the industrial countries are putting barriers on our exports."

Adds Mr Kim: "We want the Korean version of high-technology industries — euto parts, cars, electronics." The idea is to lift the domestic and value-odded content of the country's exports, and move away from reliance on Japan.

The weakness of the won, which has fallon by some 30 per cent against the yen since last autumn, gives Korea the impetus to try to substitute more of its own manfactures for imports that bave generally come from Japan. For the export pricing advantage given to Korea by the higher yen is partly cancelled out by the bigher cost of imports from its neighbour. In shipbuilding, for example, mucb of the equipment for ships built at Korean yards is Japanese.

Tho drop in oil prices is certainly a welcome fillip for the Korean economy at this time of readjustment. After a year of weak growth—at least by Korea's standards, where 5 per cent is seen as under par—tho currency and oil advantages are e stroke of luck.

"The oil cuts have given us great confidence," says an exuberant Mr Kim. "We can concentrato our efforts now on industrial growth, now that the constraints are out of the way."

Mr Kim does not see the govornment's role as being hoavily interventionist. But after tho last few years of trying to stabilise the economy and cut spending—foreign debt is some $45bn—the emphasis is now more on the promotion of research, investment, and innovation.

"We should like to bave the small mechanical industries expandod in the future," he explains "By sheer necessity, we have to develop those parts prodncers. We want a flourishing venture business." Thus banks are being prodded to support entrepreneurs and bureaucratic hindrances to new businesses are being loosened.

As well as looking to the development of industries that are expected to power Korea along its next stage of economic growth, the country is also having to handle an awkward problem of restructuring in some of its biggest sectors.

Venture business

Perhops the hardest hit of the once-buoyant industries is overseas construction, heavily dependent on Middle Eastern work. As the big contracts have dried up, business has slumped. Here, the oil price collapse is a further blow.

Tho government and the banks have been bolping to prop up somo of the worst-affected concerns. Advance contract payments from customers, often 20 per cent in the past, are now much less and companies also find it hard to extract the final sums owing on a number of projects.

Shipping, too, has needed a generous bolping band from the Government and banks, while shipboilding has also suffered from tho tonnage surplus that has put a blight on the wholo world maritime industry.

In those sectors, described more fully elsewhere, it was the Government which persuaded companios to get involved in the first place. Thus, notes Mr Suh Sang-Mok, vice president of the government-backed Korea Development Institute (KDI): "The Government can't say 'we aro innocent.' This is another reason they have to step in."

Construction, shipping, and shipbuilding will certainly have a part to play in Korea's future, though thoir lustre has faded. Korea is number two in shipbuilding after Japan and while orders slumped last year, business has come in during 1986 and the yards have work well into 1987.

In its desire to clip the wings of the chaebol, the government limited lending to them to allow other concerns to develop. It relaxed the controls last August, but is likely to reimposce them later this year.

The collapse a year ago of Kukje, one of the top 10 conglomerates, was a lesson that the Government will not automatically bail out corporate failures. It ran into trouble because it bad over-extended itself in construction, footwear, and property. Its operations have been taken over by others.

The business dominance of the chaebol is shown by the fact that the 30 biggest groups account for 16 per cent of GNP and nearly balf of bank lending. Now, the government wants them to rely less on loans and more on the capital markets. Tax incentives should encourage the sale of unprofitable units and reinvestment of the proceeds.

Will Korea achieve the technological and industrial strides says ono Western diplomat, "the country has not been technologically innovative. Korea is wbere Japan was 15 to 20 years ago. Both have been good at accepting other people'e ideas."

But there is no doubt of Koreans' determination to become a leading world economy, setting industrial trends rather than following them. Hard work is ingrained in their character and self-confidence is not in short supply.

An added toughness comes from the survival mentality caused by the looming presence of communist North Korea across the border, observes Mr Suh of the KDI. "When we have a favourable world economic situation, the Korean economy will just sail through."

Day's end for some of the 21,000 workers at an electronics complex near Seoul

The Swedish model attracts

Research and development

CARLA RAPOPORT

FOR ABOUT 5p, one can buy tasty, fried sweets on the streets of Seoul, neatly wrapped in paper. The wrapping around e recent purchase, however, turned out to be part of a technical manual, explaining terms like baffle-nozzle, input rings and feodback rings.

"These technical journals are much cleaner than newspapers," eaid the vendor.

Everyone in Korea is getting in on the technology act. From government ministers to company presidents to shopfloor workers, Koreans are all agreed that the country's future depends on its brains as well as its brawn.

A glance at the chart shows that Korea is already putting its money behind its beliefs. Spending on R and D jumped from W212bn in 1980 to about W1,000bn last year and is expected to more than double by 1990. By that time, Korea expects to be spending 2.3 per cent of GNP on R and D, almost the same ratio to GNP that Japan is currently spending.

Within that boost in funding is a concerted pusb toward basic research and technological inoovation. "We want to catch up with Japan and the West by 2000 in terms of the most edvanced scientific research and innovation," says Mr Hee Yol Yu, a director of the technology policy office in the Ministry of Science and Technology.

Mr Yn explains that Korea has targeted three main areas to concentrate its resources. The three are microelectronics, including information technology, fine chemicals and machine tools, including factory automation. By concentreting in this manner, ha says, Korea aims to model its development on Sweden or the Netherlands, planning to develop its major companies into equivalents of, say, Philips of the Netherlands or Saab, Electrolux, and Ericsson of Sweden.

Further, Government research laboratories, he says, will concentrate and co-ordinate research on design and process technologies, while Korean companies will concentrate on prepriety, ie patented processes.

Private sector

These are fairly ambitious plans for a country which has yet to adopt a substance patent law of its own. But those who may be sceptical of the government's ambitious schemes on technology development might consider the level of spending going on currently in Korea's private sector. According to industry estimates, Korea's top 15 companies will this year invest aboot $6.5bn, or about 6 per cent of sales, into new production facilities and technical development, a 37 per cent increase over 1985.

The Ssangyong group, for example, is boosting capital spending from W55bn last year to W200bn this year, concentrating on ceramic diesel engines and more streamlined production processes. Tho Lucky-Goldstar group plans to spend about W800m in areas such as genetic engineering, fine chemicals and new materials.

But, why, in a country where a shop-floor worker can be paid as little as US$1.50 to $2 an hour, should factory automation and sophisticated technologies be so important? Surely Korea's major advantage in the marketplace is its cheap labour costs?

According to Prof. Jinjoo Lee, e faculty member of the Korea Advanced Institute of Science and Technology (Kiast), Korea simply has no choice. "We are losing the battle for (making) low-value consumer goods and commodities to countries like mainland China and Pakistan, which have even cheaper labour costs than we do.

"Also, we face harsh competition from other newly-developed countries," Prof. Lee says.

"The developed world is now very conscious of not wanting to give away technology. In the 1950s, Europe and America were so generous, too generous, to Japan. They don't want to make the same mistake with us. So, we have to make higher-valued added products to survive in the marketplace and we have to work on developing new, sophisticated technology ourselves," he says.

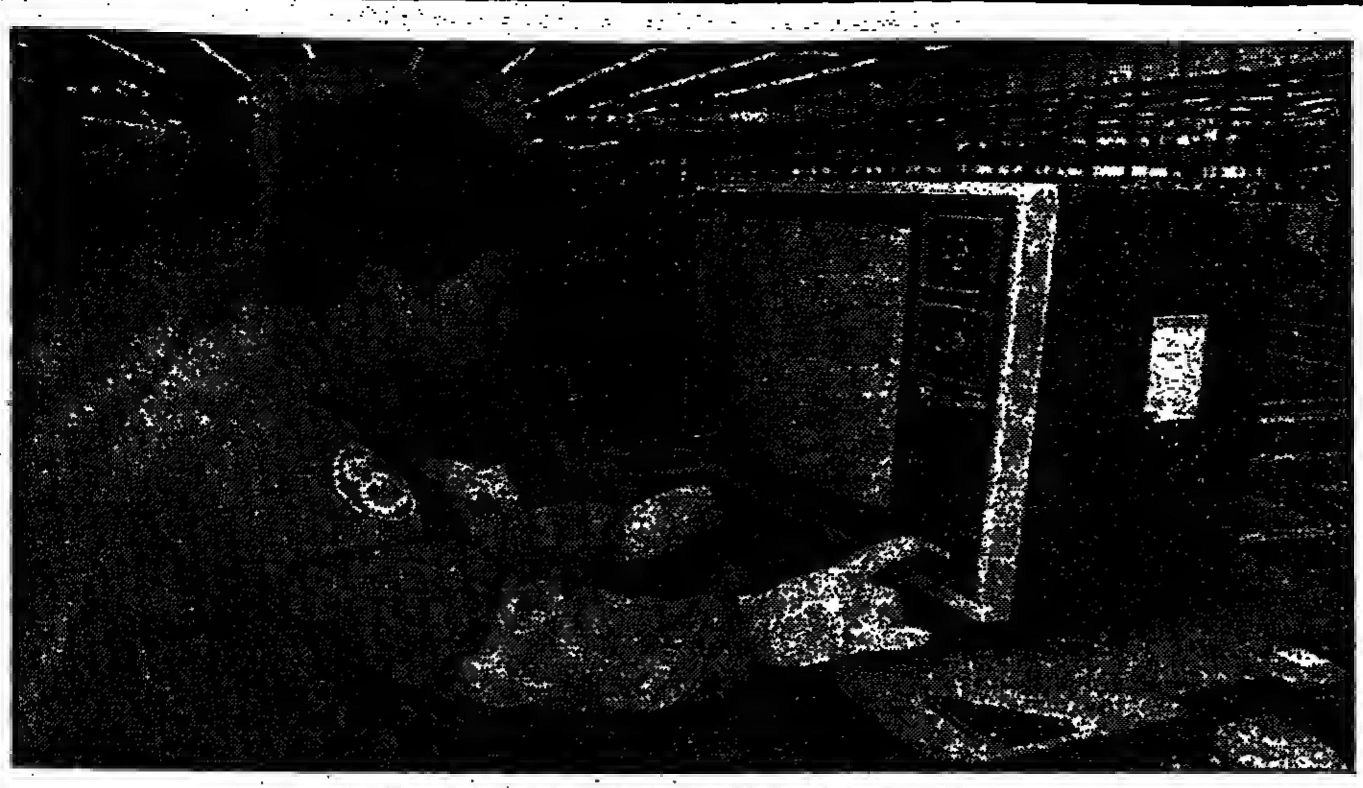
Further, he says, help will not be forthcoming from the Japanese, who have been instrumental in transferring a great deal of basic technology to Korea over the last decade or so. The Japanese, be says, are fearful of the "boomerang effect," in other words creating a Korea which could provide painful competition to them in world markets.

Technology transfer

The process of developing its own technological base will clearly take eome time. Education will play a key role. Already, 70 per cent of Koreans go to secondary school and about 25 per cent attend college. To develop a stratum of first-class researchers, the government is currently undertaking e programme to train 15,000 "core scientist," of which 10,000 will study abroad.

"Although Korea had achieved a rapid economic development which has been called an 'economic miracle,' the major impetus of the development was not attributed to the regular, full-fledged R&D activities, but to technological efforts to master imported or adopted technologies such as reverse engineering, assimilation and improvement," Prof Lee says.

To reverse that trend is the challenge Korea now faces.



Assembling colour television sets at the Samsung plant.

Shift towards more upmarket products

Electronics industry

CARLA RAPOPORT

THE BANNERS stretched from one end of the vast factory to the other: "Samsung's VCRs are Samsung's self-respect" and "The company's face and the country's face are on the products I produce."

Korean electronic companies are hell-bent on becoming grown-up members of the international electronics industry. The exhortations displayed at the Samsung factory are just one part of an industry-wide campaign to move out of the cheap export business and into more sophisticated consumer and industrial electronics markets.

Signs of this shift are already taking place. Not very long ago, for example, exports of inexpensive televisions and radios accounted for as much as half of total Korean electronic exports. Next year, according to industry estimates, televisions and radios should slip to just 25 per cent of total exports while microwave ovens, computers and VCRs should account for around a third of total exports (see chart).

Components

In the components arena, a similar shift is underway. Rather than concentrate on simply importing raw materials from Japan and exporting commodity goods such as 64K semiconductor chips, Korea's electronics firms are fast developing their own domestic sources for raw materials and in-house research capabilities. With the aid of joint ventures and licensing agreements, Korean scientists are now developing sophisticated custom-made chips as well as the new super-high powered chips which are now under development in Japan and America.

Nonetheless, this shift will take some time, and last year ahead of these developments, Korea's young electronics industry suffered more than a little pain. Of the three major Korean companies in semiconductors—Samsung, Lucky-Goldstar and Hyundai—none made money last year and industry observers estimate that losses in the sector were the rule, not exception. The problem was created by ill-timed launches of new products against the background of falling prices worldwide in memory devices.

The majors, however, remain undaunted. All three are part of colossal Korean conglomerates, whose businesses stretch from machine tools to equity trading. Mr P. June Min senior managing director of Goldstar Semiconductor (GSS) admits that last year was poor, but says: "By the end of the year, we think people will be screaming (for chips) again." Indeed GSS has just purchased a government facility which will boost its semi-conductor fabrication capacity by around 50 per cent.

Although still small by international standards, GSS forecasts 30 per cent compound annual growth for its semiconductor business over the next few years, aided by a concentration on specialised chips. GSS's exports this year, he says should more than triple to between \$80m and \$100m.

Electronics exports growth

(Figures in US\$m)	1984	1985	1986 (est)
● PRODUCTS			
Colour TVs	442	392	400
B. & W TVs	263	216	180
Radios:	544	499	520
Audio and video cassette recorders†	121	334	500
†(VCRs incl. as of 1985)			
Computers:	218	397	610
Telephone and communication equipment:	87	109	125
● COMPONENTS:			
Semiconductors:	1,258	971	1,300
Audio tape	170	238	300
Cathode ray tube	75	163	200
Microwave ovens:	238	212	264
Subtotal	3,400	3,531	4,400
Total electronics output	4,585	4,730	5,800
Ratio of exports to total output:	74.6%	74.7%	75.8%

Source: Korean Electronics Industry Association

According to a survey by the US embassy in Seoul, the three major electronics firms invested around \$580m in very-large-scale integrated (VLSI) fabrication circuits in 1984 and will be spending close to \$1bn through 1987 for further expansion.

"The exceptionally large investment and the initial difficulty experienced in marketing 64kd-rams has proved a basis to question whether Korean firms should continue in the risky and unprofitable front-end microelectronics business," the report states. In order to minimise the risk, Korean firms are increasing their links with US and Europe.

Samsung Semiconductor and Telecommunications (SST), for example, is now developing a 1-megabit d-ram with the aid of a research facility it established in Santa Clara, California. The lab has nearly 200 employees, including experts in semi-conductor sales into research. By the end of 1985, its Giheung factory had a capacity to produce 4m integrated circuits (ICs) per month and this figure should increase this year.

Thanks to growth in sales of computer and telecommunications, SST forecasts 35 per cent compound growth per year until 1990 when sales are expected to reach \$1.7bn a year. Semiconductor sales, which were less than \$100m last year, are expected to reach \$240m this year.

SST's parent, Samsung Electronics has similar growth targets. According to Samsung Electronic's new president, Mr Han Hyoung Soo, the group intends to increase its sales from \$1.5bn a year last year to \$5bn by 1990. Much of this growth, he says, will come from Samsung's push into industrial electronics, such as new media products and telecommunications equipment. Mr Han would like to see consumer products sink from 85 per cent of its sales currently to 70 per cent of sales by 1990.

"My goal is to become one of the seven giant electronics firms in Asia, next to Matsushita, Hitachi, Toshiba, Sony, Sharp and Sanyo," says Mr Han, ticking off the Japanese firms on his fingers.

If these goals seem unrealistic, it is important to remember that setting high goals is part of Korean management techniques. Setting goals helps to focus the workforce's energy and attention, creating a cohesive atmosphere of comrade-in-arms.

Consider the case of Mr Sung Kyou Park, executive vice-president of Daewoo Telecom, part of the huge Daewoo group. "When I came here in 1980 our sales (of Daewoo Telecom) were \$2.2m. Next year they will be \$140m." Mr Park stresses that Korea's advantage in the international marketplace is its relatively low labour costs and slim management structures. Low labour cost, he points out, is not only on the shop floor but also at the executive level. A top semiconductor designer in America earns five times that of an American-educated Korean designer, he says.

Or consider the case of a much smaller company, Korea Electronics, which concentrates on exporting inexpensive televisions and semiconductors. According to Mr Won Young Yoo, KEC's president, spending on R&D is going to increase by 3 to 6 per cent of sales and the group is moving into the production and export of 8 mm audio/visual products. The biggest companies in the business have yet to cast their ballot on the future of 8 mm, which can be used as a video or audio tape. It is currently on the market as a home-movie product but threatens to overtake the VHS format in video cassette recorders.

Good record

"Nobody knows the future of 8 mm, so companies are afraid to invest and plan. But to succeed you must make a plan, so we are going into this business. We hope to be ready to (for the exports) within two years," says Mr Won.

So far, Korean companies have done remarkably well in the VCR market and, increasingly, in computers. VCR exports started from Korea in March of last year and reached 1.2m units by the year's end. Samsung alone expects to export 2m units this year and 2.5m next, with the industry as a whole expected to account for about 20 per cent of the world-wide VCR market by the end of this year or early next.

Computers are also coming down the outside lane. Daewoo is shipping 10,000 units a month of a 16k bit IBM compatible called Model D, while SST is up to 30,000 units a year of a more upmarket PC called the David System. Korea, it seems, is determined to be represented in every sector of electronics.

A video cassette recorder assembly line at Goldstar, one of the three major Korean electronics companies. Korean companies have done remarkably well in the VCR market.

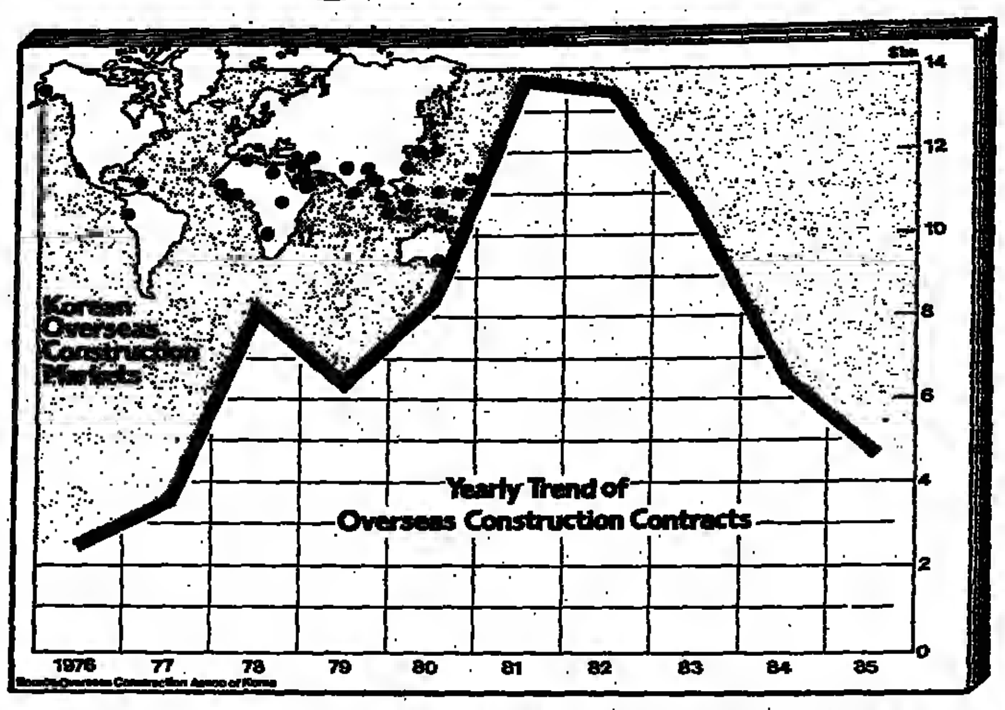
SOUTH KOREA 8

In the 1970s the Koreans plunged into shipbuilding, shipping and overseas construction. All are now weak.

A time for high-tech and damage control

Declining industries

ANDREW FISHER



KOREA'S DEDICATION to economic growth has sent shivers through the world's developed countries and caused many industries to scurry for protection.

But the Koreans themselves are now faced with severe problems in three of the industries they plunged into heavily in the 1970s: overseas construction, shipbuilding, and shipping.

All are in worldwide decline and Korea remains a major participant. The country's future expansion, however, will rest far less heavily on these crisis-hit sectors than in the past.

In two of the industries, construction and shipping, the Korean government, banks and businessmen have been engaged in a desperate retrenchment exercise, aimed at limiting the financial damage and ensuring that a more streamlined operation survives for the future.

As for shipbuilding, where Korean yards creamed off some of the world's biggest merchant orders in the 1970s and early 1980s, the emphasis has switched from growth at any price to cost-cutting, increased productivity, and diversification away from vessel construction.

The government actively promoted expansion in these industries, when success there was seen as essential to the country's economic advancement. But it is now keen to nurture more high-technology industries such as electronics, computers, and automotive components.

Heavy cost

The three problem industries are also being encouraged to move up the technological scale. Thus, overseas construction groups are trying to go for more sophisticated projects such as industrial plant, while shipowners are scrapping old vessels and investing in efficient new ones.

But this type of restructuring bears a heavy cost. Under government direction, the number of shipping companies has been sharply reduced and banks directed to help out where necessary. Loans have also been extended to hard-pressed construction groups, as foreign orders have slumped and contract payments dwindled.

"The government has got to be careful," says Mr Suh Sang-mok, vice president of the Korea Development Institute. "If there are major bankruptcies, the banks will suffer. The losses have to be absorbed by the companies, banks, and taxpayers."

Conscious that it was the government which helped propel these industries' expansion in the first place, ministers are aware of their responsibility to help the rescue or rehabilitation process, now that times are harder.

In each case, expansion was ambitious and rapid:

● Overseas construction. With growth in the industry seen as a way of helping the country adapt to the oil price rises of the 1970s, Korean companies pushed hard for business, mainly in the Middle East.

Orders shot up from around US$2.5bn in 1976 to peak levels of over $13bn in both 1981 and 1982. But last year, new business slumped further from $6.5bn to $4.7bn. Falling oil prices will certainly not help the industry, now suffering as the past surfeit of projects is exhausted. Jobs have dropped from 170,000 to around 100,000.

There are still some big orders around, however, and companies are now trying to concentrate more on south-east Asia. Falling commodity prices have, however, hit Far Eastern economies and thus further affected the industry's prospects.

Hyundai Engineering and Construction picked up some useful contracts last year and gained about half of Korea's overseas construction business. Recent work has included transformer stations and a ship-repair yard for Iraq, a new air terminal and a marina centre for Singapore (both using local sub-contractors), and a new headquarters for the Asian Development Bank in Manila.

Dr Seung-Yun Lee, the former foreign minister who heads the Overseas Construction Association of Korea, reckons a yearly order intake for the industry of about $4bn is sustainable—"the right and minimum amount we can do."

● Shipping. Surrounded by sea on three sides and with an implacable North Korean Communist regime across its land border, the industry was seen as a natural form of expansion for an export-dependent country.

The government encouraged owners to buy more ships and enter more cargo trades. Yet the industry remained in crisis around the world, as surplus tonnage from the ordering sprees of the 1970s and early 1980s was not matched by rises in business or freight rates.

So in 1984, the Government bit tho bullet, enforcing a regrouping of 63 ocean-going shipping companies into 11 new concerns. Forty-eight small and medium-sized owners, mainly in the Korea-Japan trade, were merged into nine lines.

Not that this has solved the problem. Lines are still heavily in debt and much of the 7m gross ton fleet needs to be modernised. Companies have had to sell off some 265bn won ($300m) of property securities, and other assets to keep afloat. The cost to the government in moratoria to give lines a three-year breathing space on debt payments has been some 570bn won.

By the end of last year, some 520,000 tons of old and uneconomic vessels had been sold, the target being 976,000 tons (90 ships) by end-1987. Government-backed loans are also available for investment by owners in new ships.

With oil prices in decline, fuel costs are coming down sharply, but this is an advantage that foreign owners also gain. A surge in export cargoes has benefited Korean companies—some of which, like Hyundai Merchant Marine and Hanjin Container Lines, are ready to expand—though rates remain low.

● Shipbuilding. Hyundai's entry into the industry in 1974 gave Korea a sharp rise in capacity, the start of its advance into the number two ranking in the world league behind Japan.

Then Daewoo spent $500m on the Okpo yard near Pusan, round the coast from Hyundai in Ulsan, and put the Korean industry even further ahead of most competitors in the 1980s.

But as the shipping industry has slumped, so has world shipbuilding. The Korean yards, with Samsung and Korea Shipbuilding and Engineering (KSEC) also in the industry, found their order intake sharply diminished last year.

Both Hyundai and Daewoo have enough orders to last them well into 1987, but need new work to maintain the backlog. The companies have won more business this year, but world prices are low and profit margins tight or non-existent.

As with shipping, shipbuilding is an industry that the Government wants to survive in a streamlined, healthy state. With Korea heavily dependent on seaborne trade, the maritime industries are seen as important for the economy.

But shipbuilding is no longer regarded as a vehicle for economic expansion. "The industry grew too fast," believes Mr T S Chung, director of the shipbuilding division at the Ministry of Trade and Industry.

The industry was viewed in the 1970s as a powerful growth stimulate, along with steel and cars. Korea wanted to outdo the Japanese in all these sectors. "The government strongly supported the industrialists; that's why these industries grew so fast."

The strength of the yen has given the Korean industry hope that it can edge the Japanese out in bids for new orders. But to mitigate the effects of the world crisis, the two main shipbuilding countries are also nearing agreement to limit orders and output.

Both Hyundai and Daewoo have shed labour, with the fall in employment more marked at the latter as sub-contract workers have gone, and a major productivity plan has been put in place.

The industry is keen to develop links with Europe in the desire to loosen its links with Japan. It imports materials and equipment for vessels in its yards from both areas. As for China, with a growing shipbuilding industry, Korean builders reckon it will be up to 10 years before their own competitiveness is threatened.

The battering suffered by these three industries has certainly given Korea's economic self-confidence a severe jolt. Yet, growth in overall production and exports has picked up sharply this year, and the country is turning its attention to those industries likely to sustain its expansion in the future.

Three ways to cast off the cheap-and-cheerful mantle . . .

Loans, design and dye

Textile industry

ANDREW FISHER

AIMED at tourists and GIs, the lively and garish Itaewon area of Seoul is a magnet for anyone seeking cheap clothes, shoes or other goods. From fur coats and leather garments to sportswear and T-shirts, Itaewon has them all.

For foreigners, it is the capital's bargain basement. But the cheap and cheerful image is one that Korea's textile industry is gradually trying to shed. Despite being one of the country's biggest exporters and employers, much of the thrust has gone out of the industry.

Lower-cost competition from other Asian countries like China, Taiwan and Sri Lanka has intensified, and protectionist pressures have grown in major markets like the US and Europe.

"This is very serious for us," laments Mr Hyoung-Il Paik, executive director of the Korea Federation of Textile Industries. "Competition is getting tougher — the way we have to compete is to change to new machines, improve productivity and make better goods."

Thus, more emphasis is being put on design and the dyeing process to improve colours. Low-interest loans are being made available to encourage new investment. The aim is to increase textile and garment exports, static last year at $7bn, to around $11bn in 1990 and $25bn by the year 2000.

Ovar the next five years, the Government and the industry have set a target of some 1,400bn won ($1.6bn) to be invested in modernisation. Local fashion designers are also being encouraged in a bid to penetrate the up-market sectors of the US and European markets.

This year, with exports on the move again, total foreign sales are expected to be some 5 per cent higher. Taegu, the main textile city in the sooth of the country, is reported to be thriving.

As in other industries, there is a drive to boost smaller and medium-sized companies. Over 70 per cent of loans are being directed there. As factory automation has increased, however, employment has gone down. The industry accounts for some 20 per cent of total manufacturing employment, with 730,000 people.

One obvious concern for Korea's textile and clothing manufacturers is the future of the Multi-Fibre Arrangement (MFA), which controls much of the world trada in the industry. The present agreement runs out in July.

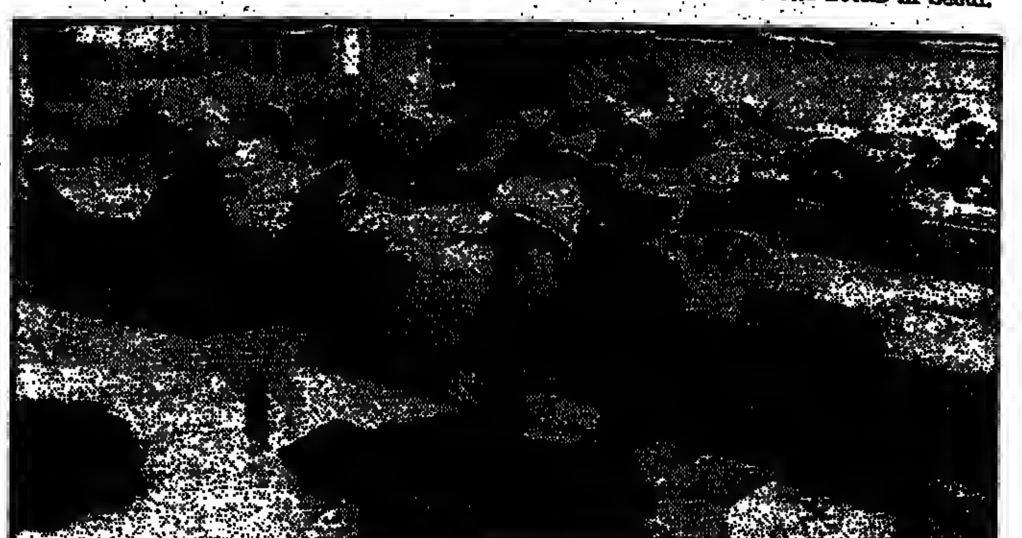
"We expect tough talks," says Mr Paik ahead of the re-negotiation.

He is hoping that developing countries—a category that Korea is progressing away from—will receive a better deal under MFA3. The US wants tighter restraint on textile imports, while the EEC has been making more liberal noises.

For Korea, the US market is dominant. Last year, the industry's exports to the US were $2.6bn, or 37 per cent of the total. Sales to Japan totalled $970m (14 per cent) and those to the EEC $890m (13 per cent).

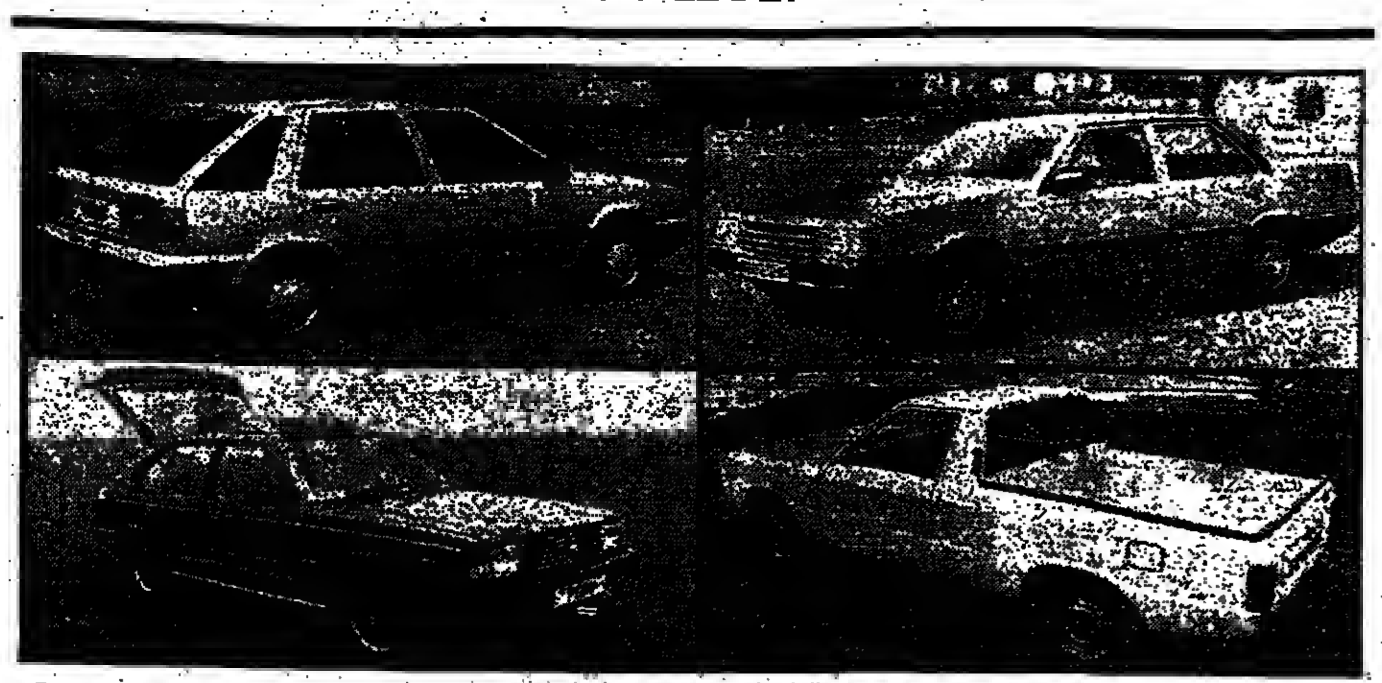
Certainly, the strength of the yen has improved Korea's competitive position against Japan. Korea, among the world's top 10 textile countries, would like to export more to Europe, but finds itself hampered by quotas.

Hence the drive to move up-market. Instead of low-budget Itaewon, the image now sought by much of the industry seems to be that of the little boutiques, chic but pricey, in the smart shopping centres under the Chosun and Lotte hotels in Seoul.



Knitwear being produced for export at the Morado company.

SOUTH KOREA 9



Four-in-hand from Hyundai . . . Above, the Pony (left) and the Stellar 1600 GSL. Below, the five-door 1400 GLS limited-edition Pony and the Pony pick-up

Exports this year will more than double

Motor vehicle industry

CARLA RAPOPORT

THE KOREAN car industry is growing faster than the Koreans themselves want to admit. Although few say so openly, Korea is aiming to become one of the world's major car exporters within the next five years.

Korea's auto industry is keeping a low-profile about its ambitions partly out of fear of igniting protectionist sentiments against its cars from the US and partly out of the fear of igniting the wrath of Japanese vehicle-makers.

As a result, Korean automakers answer official requests for information with responses ranging from rudeness, to "no comment" to inaccuracies. However, thanks to loquacious auto-component manufacturers, government officials and foreign businessmen based in Korea, it is not too difficult to compile a picture of an auto industry on the make.

"Korea would like 10 per cent of the US (car) market," says Mr J. M. Lee, senior manager in the export department of Tong Il, one of Korea's largest auto component companies. "Our company, like most companies in the auto business, is looking beyond the domestic market for our growth."

Indeed, according to Government and industry estimates, automobile exports from Korea are about to move into the fast lane. From almost nothing a few years ago, exports this year will more than double last year's figure to around 300,000 units. By the end of the decade, industry executives expect to eee exports at more than 720,000 cars, with the total industry output at treble its 1986 level at around 1.2m units.

And those are the conservative estimates. To put these figures in perspective, Japan, which has been exporting cars for more than 20 years, was selling 1.8m cars to the US until two years ago, when it was allowed to export 2.3m cars. Many in Korea believe that its auto industry, which will be exporting a less expensive car, can relieve Japan of a healthy chunk of its market share in the US, especially as the yen has recently strengthened by about 25 per cent against the dollar.

Some observers are saying that Korea could export as many as 1m units of cars and trucks to the US by late 1989, if all goes well, a volume that would put Korea in tha big league in a hurry.

If Korea achieves this kind of success, it will be the first time a major player has entered the international car market without the benefit of a large domestic market. But Korea has something going for it that many young entrants have not had: foreign partners.

All three of the major Korean automakers, Hyundai, Daewoo and Kia, are tied up in some way with foreign car-makers. In Hyundai's case it is a marketing arrangement with Mitsubishi Motors of Japan, Daewoo is linked with General Motors and Kia is part-owned by Mazda, which in turn is part-owned by Ford Motor of the US.

In the auto compoonents arena, nearly every major auto parts-maker has a Korean joint venture. Tong Il, for example, has joint ventures with Rockwell International of the US and GKN in the UK. Mando Machinery, a major auto parts maker, recently set-up a 50-50 joint venture to make radiators with Ford Motor in Korea.

Further, Hyundai and Daewoo, number one and two in the domestic market, are not simply auto-makers but parts of huge Korean conglomerates whose activities stretch from finance to semiconductors. Both companies are well equipped to put significant resources into their auto companies.

Although Hyundai itself does not answer any questions about its own investment plans, a recent issue of Koraa Business World, a Seoul-based business magazine, says the company (1986 sales: Won 15,000bn) is planning to invest Won 300bn in a new car plant with capacity to make 300,000 cars for export. This amounts to a 70 per cent expansion for Hyundai alone next year in capacity.

Hyundai launched the Korean car exports to the US earlier this year with its Pony Excel. The company says it is only planning to sell 100,000 Ponys this year, and would not comment on how the cars have been initially received in the US. But it is understood that Hyundai is planning to diversify its model range in the US as soon as possible and that it is planning to boost exports to Europe significantly within the next 18 months.

Daewoo also has ambitious plans for the international auto market. In a 50-50 joint venture with GM, Daewoo plans to make a "world-class" subcompact car by the end of this year at a rate of around 167,000 vehicles per year ioitially. Further, Daewoo and divisions of GM have formed three joint ventures to make auto components both for the new subcompact and for export.

Not surprisingly, Korea's auto parts industry ie gearing up for a boom itself. Industry executives estimate that auto parts exports will increase from $130m last year to $200m this year and reach $500m by 1988.

The remaining major automaker, Kia, is currently making only vans and trucks after the government ordered it out of the auto market a number of years ago. It is shortly to be let back into the domestic passenger car market and is being aided by Mazda in setting up facilities to make about 80,000 mini-cars, with an engine size of 1200 cc, for export in 1987, using Ford dealers.

A few more players are waiting in tha wings. Chrysler, through a link-up with the Samsung Group, has spent more than a year investigating parts sourcing and possible vehicle manufacture in Korea. So far, very little concrete has emerged, bnt industry executives expect some decision to be reached this summer.

It is understood that Samsung is vary keen to expand into automobiles with or without Chrysler. Speculation that Samsung may be interested in buying Dong-A Motor, a specialty vehicle manufacturer, has sent Dong-A's shares soaring on the Korean stock exchange.

"The only things Samsung isn't involved in is religion and motor cars," observed a foreign businessman in Seoul recently.

Considering that Korea's first front-wheel drive passenger car was only developed two years ago, the challenge ahead of Korea's auto-makers is daunting. An American businessman who has studied the Korean auto industry for more than three years says that as late as 1983, be visited auto-part suppliers working on *dirt floors* with almost no heating in winter.

"Today, those dirt floors are gone. Companies are putting in sophisticated equipment in those parts' suppliers. It's not a lack of competenca in Korea, it's a lack of familiarity," be says. "They are bright and tenacious. There is a great willingness to excel bere. They are not a sloppy people. This is not Mexico."

Even the Japanese admit that Korea will present stiff competition in future. The Japanese could not hide a smile when Hyundai bad to recall a number of its Pony Excels in the US recently for a minor defect.

"But it won't be long," said a Japanese auto executive, "before we really start to feel the neat."

Car industry: in the fast track

● Sales figures and forecasts

Year	Domestic sales	Exports	Total
1985	140,000	120,000	260,000
1986	150,000	170,000	320,000
1987	188,000	460,000	648,000
1988	225,000	540,000	765,000
1989	290,000	620,000	910,000
1990	326,000	720,000	1,046,000
1991	400,000	800,000	1,200,000

Source: Korean Ministry of Trade and Industry and Industry sources.

An industry seeking a tonic

Pharmaceuticals

CARLA RAPOPORT

SOUTH KOREA's drug industry is going through important changes, some of which will bring welcome advances.

However, those who expect Korea's drug market to march into overseas markets with scores of new or cheaper drugs may have a long time to wait. While Korea's appetite for drugs is growing at an impressive rate, the state of Korea's drug industry itself is not healthy.

Thanks to spirited growth of between 20 and 30 per cent per annum between 1975 and 1985, Korea has emerged as the world's 13th largest drug market, on a par with such countries as India and Brazil. Currently, with annual sales of ethical (prescription) drugs of around $1bn a year, the market is projected to grow by at least 10 per cent per year over the next 10 years, boosting it from 13th to 6th place worldwide.

"South Korea is one of the fastest growing markets in the region," says Mr Alan Barcock, managing director, Glaxo Orient, the southeast Asian arm of Glaxo, one of Britain's largest drug companies.

Not surprisingly, nearly all the major international drug makers are now represented in Korea, in the form of joint-ventures with local companies to manufacture, package and market drugs. These joint-ventures number around 32 and account for between 15 and 20 per cent of the market. Their growth, however, has come at the expense of the domestic industry, and at a time when they least need it.

Some 300 companies make up the Korean pharmaceutical company, making for an extremely fragmented market. The largest company in the market, Dong-A, had just about 10 per cent of the total ethical and over-the-counter market in 1984 with sales of $124m. The number two and three in the market, Chong Kun Dang and Yuhan Corp, have just 5 per cent of the market each.

Research

Most of the largest companies also derive as much as half of their business from the beloved Korean tonic drinks. Dong-A, for example, says that 40 per cent of its sales come from Bacchus, a "liver tonic" drink, which it admits has no proven medicinal value but may be better for you than cola or lemonade.

To date, no Korean company has had the funds or capacity to develop new chemical entities. Most are poorly capitalised and heavily geared. Until recently, the companies have made generic (non-patented) drugs or patented drugs under licence from foreign firms, a guaranteed way not to develop in-house capacity for original research. Now the major companies want to develop their own research capabilities and advance into overseas markets. But they are the first to admit the obstacles ahead are daunting.

The general rule of thumb for the cost of coming up with a new drug these days is $100m of investment and up to 10 years of research. "At that rate, the Koreans would have to spend 10 per cent of the total market sales, and it would take 10 years to come up with a new drug," says Mr Miklos Gyorgy, representative director of Sandoz Korea, the Swiss drug maker's subsidiary. An effort to rationalise the domestic industry through mergers and acquisitions would have little effect, he says, because most of the companies have similar product lines.

Furthermore, the Korean companies are bound by a kind of catch-22. Currently, there is no substance patent law in Korea, in order to protect the domestic industry during its developing stages. But, without patent protection, foreign firms are loath to share their sophisticated research techniques with Koreans for fear of losing the fruits of their costly research. To date, no research joint-ventures between Korean and foreign firms have been signed.

Take Dong-A's case. The company has been actively seeking partners in the research area with no luck so far. "They think we are a baby. They don't want to disclose their research to us, it is not worth it. They want to sell bulk material. They don't want to talk. We have to earn their respect," says Mr Shin-Hong Min, managing director of Dong-A's R and D department. Dong-A will this year invest $10m in a new research laboratory. The group currently spends about 2 per cent of its sales on research, but this is expected to increase to 3 or 4 per cent soon.

In the meantime, major companies are seeing their sales fragmented by their own joint-ventures on the packaging and marketing side. Yuhan, for example, has four joint-ventures with difficult foreign firms, with all the sales channelled through the same distribution network. Not surprisingly, some of the joint-ventures have worked out better than others.

Looking ahead, however, most predict that substance patents will have to be accepted in Korea within the next few years. This will give the industry a well-needed boost into the international league. From then on it will be a case of home-grown talent running hard to catch up with the rest of the international pharmaceutical industry. Considering the Korean thirst for success, it is not unreasonable to expect new Korean drugs to begin emerging by the end of the decade.

City dominated by cranes and sports shoes

The port of Pusan

ANDREW FISHER

"PUSAN," observed one Western inhabitant, "has a chip oo its shoulder about being regarded as a second-class city by the government."

As a centre of opposition politics, the southern port and industrial city is certainly watched closely by the central government in Seoul.

Some 450 kilometres to the south, with a regular air shuttle service linking it with Seoul, Pusan is different, however, not ouly in its political attitudes but also in its economic and industrial make-up.

Its port is the seventh largest in Asia and one of the biggest and most modern shipyards in the world is located on the nearby island of Koje. Millions of pairs of sports shoes are shipped from local factories to the US and other markets. It is also a major textile centre.

Althoug Koreans' tiny holiday entitlement has a limiting effect on the tourist market, Pusan is developing as a resort. Even in March, there was activity on the beach, though it was too cold for swimming. Most of the tourists are Japanese, big spenders throughout south-east Asia.

$200m investment

About half of Korea's exports go through the port of Pusan. With its modern container facilities, Pusan has one of the most efficient terminals in Asia. Having invested some $200m in the 10 years up to 1983, the government-owned port aims to spend a similar amount in the next decade.

More container berths are planned, as container trade is growing at some 10 per cent a year. Pusan can take the largest of modern container ships, with its four container berths and eight gantry cranes. These were built on reclaimed land, as will be the next three.

Reclaimed land will also be used for the ambitious industrial developments planned by the city itself. These have no connection with the port, whose revenues — some 50bn won ($60m), of which 7 per cent emerges as profit—flow back to Seoul.

Pusan's city administration wants to relocate much of the local industry, especially the biggest polluters such as textile dyeing, in new areas on the east bank of the Nakdong river. It has a longer-term plan for a 17 sq km reclamation on the west bank, where high-technology industries would be encouraged to start up.

The idea, say Pusan officials, is that the government should share a high proportion of the cost with the city. Without a major injection of funds from Seoul, little is likely to be done. City revennes are tight, unemployment is higher than the national average, and industrial prospects are patchy.

Some parts of the smaller east bank development are already occupied, but factories will not easily be persuaded to move by the promise of baving their expenses refunded later. In some parts of the city, the chimneys of the pollnting factories are strung out in rows, smoking furiously amongst the surrounding buildings.

The city is worried that the situation will become much worse. Population is estimated to grow from 3.5m people at present to 4.8m at the end of the century. In 1970, it was under 2m. The number of factories is forecast to rise to 6,300 from 4,400 and their employees to 775,000 from 337,000.

Reclaiming and developing the west bank for the advanced industries Pusan hopes to attract in the next decade will cost some W300bn. Even preparing one of the smaller sites for dyeing firms on the east costs some W65bn.

The local chamber of commerce and industry sees the new project as vital for the city's future prosperity and welfare. Construction of the new complex would ease the land shortage and, it is argued, provide a good opportunity to enhance the poor industrial structure of Pusan as well as to strengthen international competitiveness. It will act as a base for the overall growth of Pusan after 2000.

But all that is a long way off. Today, the Pusan economy is in a mixed state. Textiles bave picked up after a difficult time last year, but shipbuilding remains a problem area after the export order slump of 1985.

With the yen's strength eroding Japanese competitiveness, and lower oil prices helping industry, exports from Pusan seem set for a healthy increase this year. Sales of textiles and clothing shot ahead early thie year, especially to the US and Japan.

But with unemployment double the national figure of 4 per cent, according to local businessmen, rising exports will nöt create enough jobs. For the past two years, only around 70 per cent of local college graduates have found work. A number have thus sought student visas for the US, financed by their parents.

Where several members of one family are working, problems in one sector can be alleviated by money coming in from another industry. At some factories, workers have not been wholly laid off but have had hours, and thus wages, cut.

In shipbuilding, Daewoo has shed thousands of workers on Koje at its huge Okpo yard. But these have been subcontract labour, taken on as the yard strove to reach high levels of outpnt in a short time. Its own direct workforce has increased slightly.

For the moment, the yard has enough work to keep it busy for some time, but follow-np orders have proved hard to find and the yard is losing money. With the industry in worldwide decline, however, the Koreans feel they are in a strong position to obtain what few orders are going through their low cost base—wages are far lower than at Japanese yards—and short delivery times.

Both Daewoo and Hyundai, whose yard is round to the east in Ulsan, have had problems with shipowners unable to pay or take delivery because of the shipping crisis. Both have made strenuous attempts to win new business, with some success so far in 1986. The industry sees the yen's strength as a golden opportunity to snatch orders from Japanese yards.

In shipbuilding as in other industries, Korea is trying to adapt itself to new technologies and to upgrade its products. Even in the more humble area of sports shoe manufacture, the trend is to more sophisticated goods with higher added-value.

Pusan is a major world centre of sports shoes. Nike, the big US concern, takes about 60 per cent of its output from Korea, having set up there eight years ago. "On productivity, Korea is excellent," enthuses Mr Paul McGuire, general manager of Nike's Korean operation. "What's made Korea strong is that people work hard and diligently."

In a good month, local factories turn out some 4m pairs of shoes for Nike, though this can drop to 1m when times are slack. In the early years, the Korean industry produced mainly low-priced shoes, but it has now moved into more advanced shoes with air-cushioned soles and modern materials.

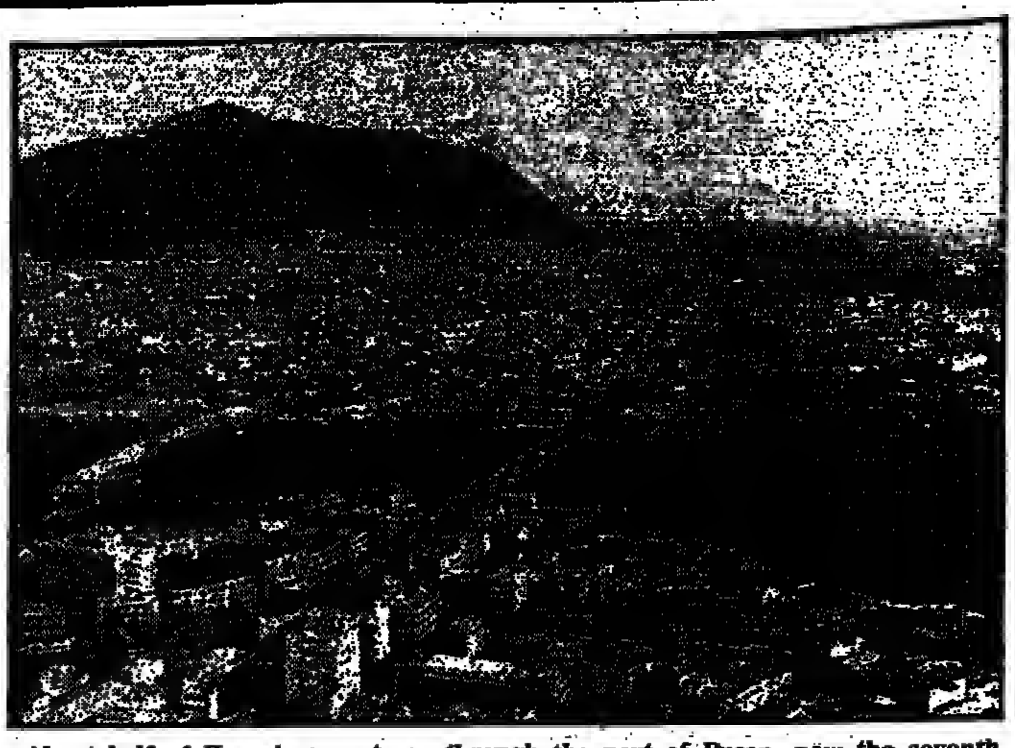
Nike is supplied by eight local factories. It recently split with one big manufacturer, HS Corporation, which has decided to launch its own brand of Le CAF sports footwear. HS also supplies rival Reebok, a UK-based company.

The annual value of Nike shoes exported from Korea—other sources are Taiwan, Thailand, and China—is around $300m, with a US wholesale value of some $500m. Nike, which began in Korea by producing only 200,000 shoes monthly, is involved in a $2m venture with a local company for domestic sales which should get a lift from the staging in Seoul of this year's Asian Games and the 1988 Olympics.

Last year's collapse of Kukje, a major footwear, textiles, and steel group, certainly shocked the local business community. But its operations have been taken over by other companies.

To the west of Pusan, a city with apartment and office buildings as unremittingly ugly as any in Seoul, are the light industrial complexes of Changwon and Masan. Both employ around 30,000 people in their factories, though several thousand have been laid off in Masan.

Whether it is the smoking chimneys, the grim architecture, or the lines of vegetable cloches and seaweed plantations that are spread out for those arriving by air, Pusan leaves a variety of images for the visitor to ponder. Perhaps the most powerful is that of the huge cranes that tower over the port and, across the bay, over the shipyard.



About half of Korea's exports go through the port of Pusan, now the seventh largest port in Asia. The city is also developing as a tourist venue, mostly for the Japanese who are big spenders throughout South-East Asia

Eating out: a guide for overseas visitors

Hanjong-shik, a meal fit for kings

KOREAN FOOD has finally made its debut in many Western cities in the form of Korean barbecue-sliced marinated beef, served with a side dish of spicy hot kimchi vegetables and boiled rice.

Bulgogi, its Korean name, is a favourite treat for Koreans too, but it typifies Korean cuisine about as much as a hamburger with a side of fries stands for Western cooking.

Fortunately Koreans do have their own haute cuisine —hanjong-shik—or a full course Korean meal, and it is a culinary secret well worth unlocking.

Hanjong-shik was the food of Korean kings and nobles. These meals have anywhere from seven to 12 main dishes designed to provide a succession of different colours, textures and flavours. They come with a plethora of side dishes that fill up and threaten to spill off the dining table.

Extreme cuisine

Unlike some other classic cuisines, Korean cooking is not based on rich sources or a complex blend of flavourings and spices. Foods come either "au naturel" or nearly obscured in garlic, chili peppers, soy sauce and sesame oil. There is little in between. It is an extreme cuisine, developed by a people prone more to excess than moderation.

A hanjong-shik may start with an hors d'oevre of kujolpan which consists of nine lightly seasoned cooked meats and vegetables julienne arranged in a wheel of contrasting colour on a tray. The julienne strips are wrapped in a paper-thin crepe, dipped into spicy sauce and eaten.

A warming soup of creamy crushed pine - nuts, sweet potato, or rice gruel acts as a foil for this cold appetizer, which is then followed by a host of meat or seafood courses — grilled chicken, stuffed crab, fish fried in batter, or sinsollo.

Sinsollo is an ornate brass tureen suspended over burning charcoal and filled with a potpourri of meat or fish patties, quail eggs and vegetables in hot broth.

Some of the more interesting side dishes are concocted from wild herbs and nuts gathered in the mountains, although the strong seasoning in these dishes may seem extreme for the uninitiated palate. One or two hearty soy bean-based soups come during the meal, cleansing the palate and stimulating the taste buds for the next round of entrees. Beer or rice wine goes down nicely with the meal and can help put out the fire started by an undetected chili pepper.

After the gourmet has unwittingly turned into a gourmand, the dessert course arrives and mercifully, it is light. Traditional Korean desserts consist of dainty little rice or nut cakes eaten with lightly fermented fruit juices or fruit in season.

In Seoul, the best way to enjoy hanjong-shik is in small, family-run restaurants tucked away in residential neighborhoods. To be recommended are: Suk-yon (at 285, Pi'run-dong near tho Sajik tunnel, telephone 737 2919), Young-soo-san (in Samchong dong northeast of the Kyongbuk Palace, telephone 732 3019), and Nam-moon (also in Samchong-dong, telephone 732 3423).

These establishments were private homes, and dining in them is an intimate experience (you may actually bo eating in someone's bedroom). The rooms are invariably papered in flowery patterns and furnished with traditional Korean furniture and a few well-chosen objets d'art. Diners sit on mats around a low table in homy privacy. Service is friendly, unobtrusive, and informal.

Although these restaurants see occasional foreigners, little English is spoken. Your hotel can help make arrangements on the phone, and take cash. (Prices are between 8,000 won and 25,000 won per person).

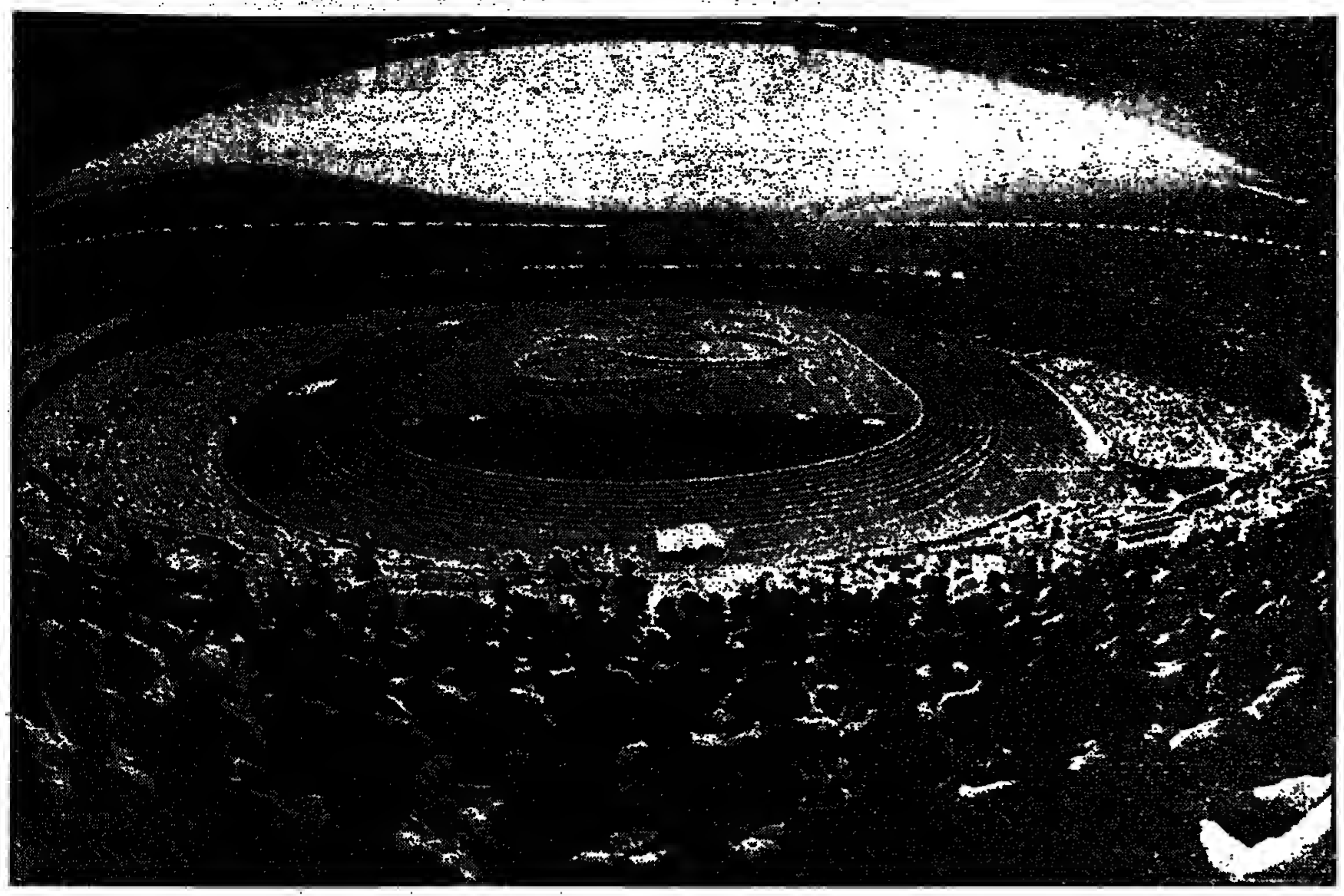
Accessible buffets

More accessible for foreigners are Jang won (at 235 Chungjin-dong behind the US Embassy, telephone 735 8645) and Dae won gak (in Sungbuk-dong, north of Downtown, telephone 762 2818). These are large, well-staffed establishments where some English is spoken and credit cards are accepted. Dae won gak is a sprawling old Korean mansion set in a wooded area and offers traditional music and dance at extra cost.

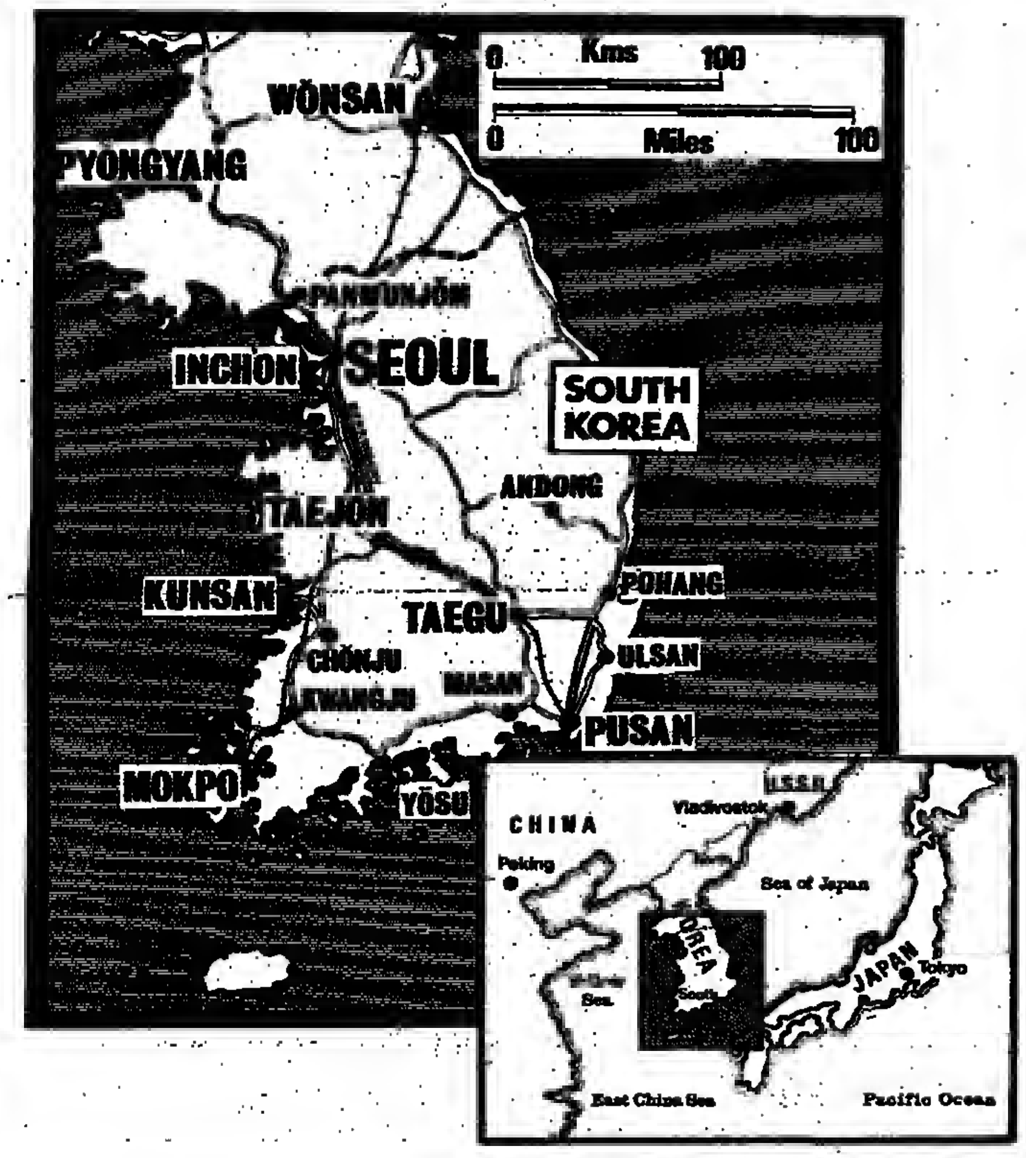
Most accessible, are Korean buffets in tourist hotels or Korea House (on Toegyero 3GA, telephone 266 9101). The latter is run by the foundation for the preservation of cultural properties, and private or semi-private rooms are also available. Visitors may eat, shop for handicrafts, and take in a short performance of Korean music all within the space of a couple of hours.

Bon appetit . . . or . . . mani chapsu-saeyo, as they say.

Rose Butler



GALA OPENING: the main stadium for the 1988 Seoul Summer Olympiad, above, was packed with 100,000 people, including the Korean President Chun Doo Hwan, and the president of the International Olympic Committee, Juan Antonio Samaranch, for the dedication ceremonies of the Seoul Olympic Stadium.



Business before beauty

SEOUL will be at the centre of world attention when it hosts the 1988 Olympics, but the sprawling capital of South Korea, housing nearly 10m people, is hardly one of the most beautiful of cities or a natural magnet for tourists.

It has its palaces, shopping centres and markets. The main drawing power for foreigners, however, is clearly the business potential of Korea itself. Exciting and friendly, Seoul also has the frustrations of a big modern city.

Architecturally, it is uninspired, to put it mildly. Its modern office buildings are built on the grand scale, but with a minimum of costly adornment. Its traffic is wild and taxis are so cheap that finding an empty one in an awkward part of town at a busy time can be hard.

For the business traveller, Seoul has several top Western hotels, with ample business, restaurant and entertainment facilities. But the budget-minded traveller may have to search hard to find anything suitable.

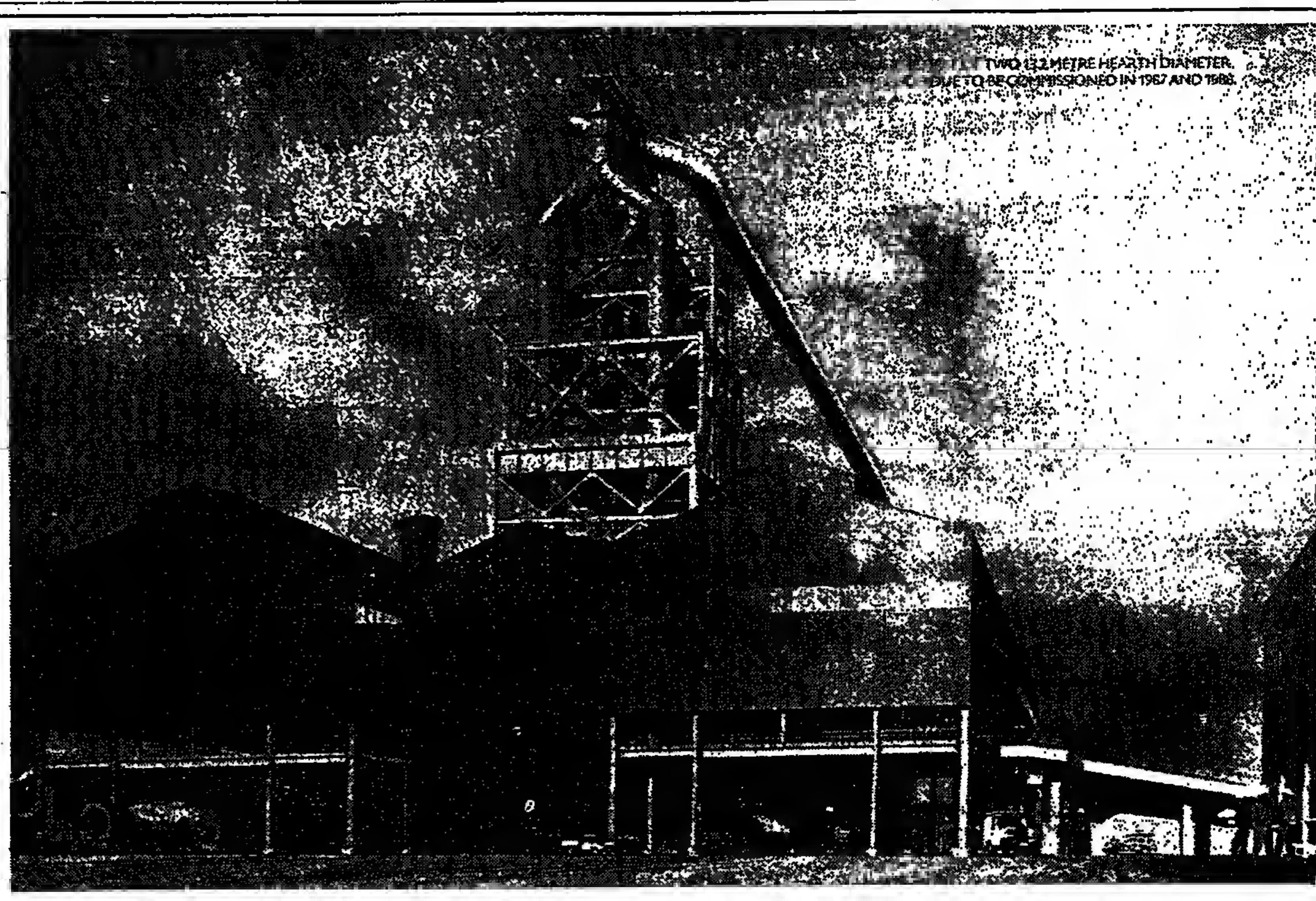
As for doing business, the first step of making appointments is mostly not too difficult. Koreans are often willing to see visitors at short notice and key officials and businessmen—many educated in the West—generally speak excellent or passable English and do not use interpreters.

Concluding deals or partnership ventures is rather less straightforward, however. Koreans are tough negotiators, and some foreign companies have come unstuck by picking the wrong partner or wrongly assessing the market. But the Government seems keen to remove bureaucratic obstacles.

It has created one extra frustration this year, though, for those who need to visit officials connected with economics, industry and finance. The relevant ministries are now a 40-minute car ride from the city centre, where they used to be located.

ANDREW FISHER

South Korea has a fast, comfortable train service—much appreciated by these business people, who want to relax at the end of a hard day. The system will also be valued by visitors to Seoul for the 1988 Olympics



The North engages in classic strategy of footdragging

Relations within North-East Asia

STEVEN BUTLER

WHEN North-East Asia as a region comes into the news it is [illegible] something involving military forces, and often about the Soviet Union or North Korea. The last blockbuster story was the Soviet downing of the Korean Airlines' flight 007 in 1983, killing all 262 passengers aboard.

[illegible] in the region continues unabated. North Korea has amassed a frightening amount of hardware and armed men within close striking distance of the South Korean capital, Seoul. The South has responded with a steady upgrade of its military technology, backed by strong US support. The Soviets, too, keep pouring men, missiles, machinery and ships into the area.

Despite all of this, however, and unlike in Europe, there is a far closer balance among military forces in the region. And while all sides keep pointing bigger guns at the other, they are also gradually finding new ways to talk, trade, and to meet for common purposes.

Unlike just a few years ago, the hard line of confrontation among Communist and non-Communist states in the region is breaking down to be replaced by complex relationships that, diplomats agree, offer hope eventually of achieving some fundamental diplomatic breakthroughs.

The most striking of all this is the dialogue that has developed between North and South Korea. But perhaps just as significant is the rapidly growing commercial relationship between South Korea and North Korea's Communist ally, China. The Soviet Union has also become far more active in the region with trade and diplomacy, subtly altering the equation of risk and reward for all the players in and around Korea.

The dialogue between North and South Korea, which began haltingly in the spring of 1984, last autumn produced its first meagre fruit when 35 families, split apart during the Korean war, met in tearful reunions in Seoul and Pyongyang. That was, remarkably, the first cross-border travel of ordinary Koreans in the 35 years since the war.

The brief reunion has led nowhere, despite proposals from South Korea to expand the exchanges. Economic talks have bogged down with South Korea making one practical suggestion after another for trade, only to be met by North Korean proposals about agreements on common principles and elaborate committee structures.

The North appears to be engaged in a classic strategy of footdragging and, in January, Pyongyang broke off talks after the South announced the start of annual military exercises with the US. Nonetheless, everyone expects the talks to get going again after April, when the exercises end. The propaganda value for North Korea in pursuing the talks is just far too great to toss away.

Although North Korea broke off talks earlier this year after the South began its annual military exercises with US troops, it is widely believed that the North has strong reasons for wanting to resume talks soon.

Both sides have publicly aired the idea of an unprecedented summit meeting between North Korean President, Mr Kim Il-Sung and the South Korean President, Mr Chun Doo-Hwan. Although nothing has come of it so far, there are widespread reports of secret diplomatic contacts and Mr Chun ventured so far earlier this year as to say he "expected" such a summit might take place some time this year.

The North, it is widely believed, is less interested in improving its relations with South Korea than it is in projecting a reasonable image that it hopes may help build bridges to Japan and the United States, and thereby chip away at South Korea's international support. The North is also facing difficult internal problems and may be looking for ways to stabilise international ties while it sorts these difficulties out.

Mr Kim Il-Sung is well along in a process of transferring authority to his son, Kim Chong-Il, in an unprecedented father-son succession. Yet the process, by its nature, will not be complete until after the elder Kim dies, and if he hopes for a smooth transfer, he may want to reduce the difficulties his son will face later. The elder Kim may see the inevitability of having to deal with the South sooner or later in view of South Korea's growing international prominence and economic strength. By starting the process himself, he would make it far easier for his son to continue.

But building out toward the west has become at least as important as improving ties in the east. After many years of maintaining a chilly distance, last year North Korea and the Soviet Union exchanged senior officials and boosted trade. The Soviet Navy called at North Korean ports for the first time ever and Soviet bombers and reconnaissance aircraft now fly regular sorties over North Korean air space.

In return, North Korea has received Soviet MiG 23 aircraft, Scud-B ground-to-ground missiles and new anti-aircraft weapons. US military analysts say that the Soviet weaponry has strengthened the military balance.

The Soviet weaponry and the better relations may also be something of a consolation prize, because the Soviets appear intent on attending the 1988 Seoul Olympics, which would amount to a major diplomatic defeat for Pyongyang. Last year Soviet sports teams began visiting South Korea on exhibition and for international competition. In a November meeting of Communist sports ministers in Hanoi, North Korean proposals that the South agree to co-host the Olympics or face a boycott earned a chilly reception.

Increased Soviet interest in Asia followed the rise to power of Mr Mikhail Grobachev. The effect so far has been less to provoke major changes in the region than simply to resurrect the Soviets as an important player. It is not clear yet how exactly they will play their cards, but that surely will come.

The greatest movement of substance has come from China and stems from the growing pragmatism in Peking. Trade with South Korea approximately doubled last year and was well in excess of $1bn, making these two former enemy states major trading partners.

Daewoo Corporation, a diversified South Korean conglomerate, also started South Korea's first joint venture with China. The first project, a refrigerator and television assembly plant in Fujian, was indeed a small beginning, but the investment has a far greater symbolic importance and there will be a long line of Korean businessmen following, if Daewoo makes a success out of it.

South Koreans have been greatly encouraged by China's willingness to pursue and expand commercial ties with South Korea, even though North Korea has raised public objections in the mass media. Private criticisms are believed to have been stronger.

Relations in the area have been conceptualised as a kind of parallelism. South Koreans seem to accept the notation that as ties between China and South Korea develop, Japan may have more interaction with North Korea. The ultimate goal would be cross diplomatic recognition, to be joined in by Soviet recognition of South Korea and US recognition of North Korea.

That solution to the diplomatic stalemate in the region has been angrily rejected by North Korea, which says it would merely perpetuate the division of the Korean peninsula. But all of the talking, trading, and cultural exchanges have raised hopes that the awesome weaponry that is being placed into the region will never have to be fired at the enemy.

South Korean troops, north-east of Seoul, taking part in a 10-week military war game involving 200,000 US and South Korean men

Ready for a role on world stage

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for national unity in the face of North Korea's build-up of offensive military capability.

Mr Lee is a widely respected figure and his appeal had a poignant personal touch—two and a half years ago Mr Lee nearly died in a bomb blast in Rangoon that killed 15 of President Chun's top advisors and cabinet officials. North Korea has been blamed for the explosion.

Looking through the sights of a rifle at North Korea, it is easy to see why South Korea's military brass would prefer that the intense national debate over South Korea's political future be postponed for a few short years, until the military balance improves.

Yet the opposition has listened to the warning that internal discord will invite invasion for many years. There is no wonder they believe that appeal is nothing but the cynical ploy of a military-backed government to hang on to power.

"Let me say this to the military," dissident leader Kim Young-Sam recently told a cheering audience of supporters in Korea, "that you keep to your primary responsibility of defending the nation."

The opposition has launched an increasingly vocal campaign for rapid democratic reform, centred on a demand that the constitution be revised to allow for a direct election of the president.

This the government refuses to consider, even though tha government has since last February shown a remarkably tolerant attitude toward protest. Uniformed police have recently stood by and watched the largest anti-government rallies and street demonstrations since Mr Chun came to power in 1980.

There is now increasing talk among diplomats that martial law is being considered as an option if protest should get out of hand. This talk may be little more than a reflection of the fact that Korea's political future is uncertain, that it is walking down untrodden paths, with neither the government nor the opposition entirely certain of the next steps. The stock of reliable wisdom on how to create viable democracies does not run very deep.

If Korea's likely graduation from developing country status is remarkable, even more so would be the transition to an open democracy. This, however, is not the kind of transition that diligence alone can achieve. It will take debate, conflict, and compromise of precisely the sort that Korea is now experiencing, although compromise has yet to make a very strong showing on any side.

If there is a historic trend behind the development of the Korean economy, many Koreans also believe history is propelling their nation inevitably toward democracy, with universal literacy, a growing middle class, widespread understanding of civic norms, and a vibrant Christianity that stresses individual worth.

A surprising number of Koreans say privately they are unworried by current political conflict in Korea. They expect more to come and they also say they will not be robbed by history.